

THE WEATHER - PARIS: Monday, overcast. Temp. 5-19 (44-64). LONDON: Monday, cloudy. Temp. 12-21 (54-70). WASHINGTON: Monday, cloudy. Temp. 12-21 (54-70). NEW YORK: Monday, cloudy. Temp. 12-21 (54-70).

Table with exchange rates for various countries including Algeria, Argentina, Australia, Belgium, Canada, Denmark, Egypt, France, Germany, Greece, India, Iran, Israel, Italy, Japan, Kuwait, Lebanon, Libya, Luxembourg, Malaysia, Mexico, Monaco, Morocco, New Zealand, Norway, Pakistan, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, U.S., U.K., U.S.A., U.S.S.R., Venezuela, and Yugoslavia.

Majlis Rejects Bani-Sadr; Official Orders His Arrest

By Barry May
TEHRAN — Iran's revolutionary prosecutor-general ordered the arrest of President Abolhassan Bani-Sadr on Sunday after the parliament declared the president politically incompetent. Prosecutor-General Ali Qodousi said in a statement broadcast to the nation that foreign reports of Mr. Bani-Sadr's flight from Iran were incorrect, and he called on the people to arrest the president if he were found. On Saturday, more than 20 people were killed in street fighting between groups supporting and opposed to the president.



Abolhassan Bani-Sadr

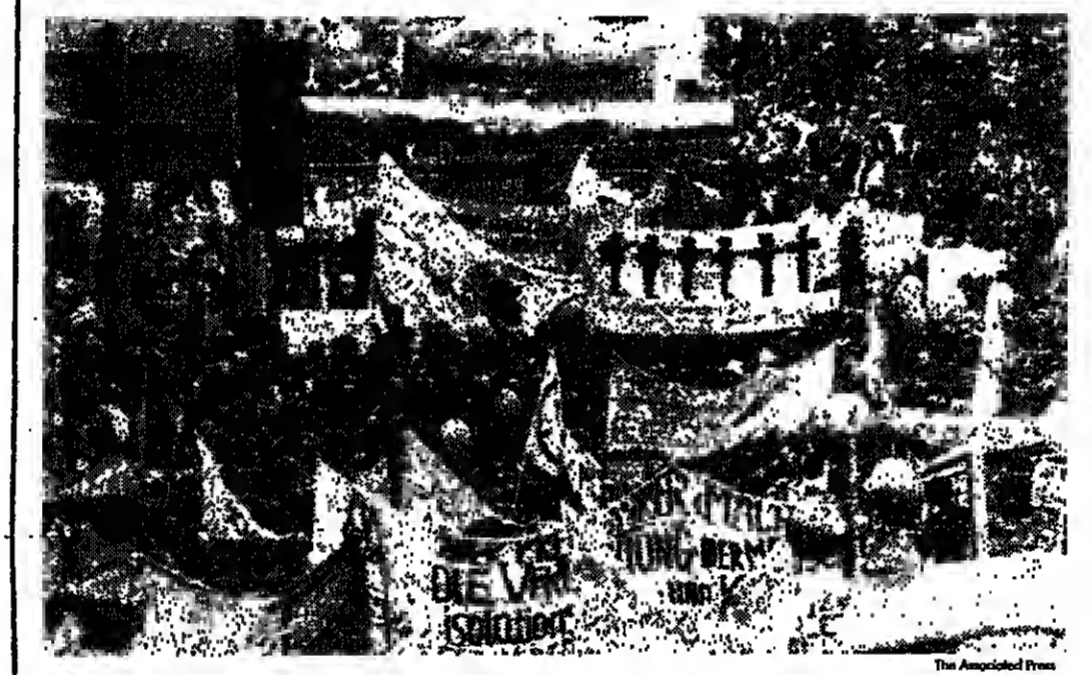
Turkish officials said the government's position had not changed since Friday, when a Foreign Ministry spokesman said authorities had no knowledge of Mr. Bani-Sadr's whereabouts. The possibility of Mr. Bani-Sadr being in Turkey is a sensitive matter for Turkey, which has tried to maintain a balance in relations with Iran and Iraq.

French Socialists Wrap Up Full Control of Legislature

By Jonathan Kandell
INTERNATIONAL HERALD TRIBUNE
PARIS — The French Socialist Party emerged with a large majority of 491 seats in the final round of the legislative elections Sunday, giving President Francois Mitterrand the power to pass all of his left economic and political programs. At 10 p.m. Paris time, the Ministry of Interior announced that the Socialists had won well over half of the legislative seats, with 41 races still not decided.

U.S. Said to Prepare 'New Policy' in Asia

By Bernard Gwertzman
WELLINGTON, New Zealand — U.S. Secretary of State Alexander M. Haig Jr. was reported on Sunday to see "no urgency" in dealing with the possible sale of advanced jet fighters to Taiwan and to hope that the decision on whether to provide such equipment, strongly opposed by China, will be based solely on Taiwan's genuine defense needs and not on political grounds to balance possible arms sales to China.



PEACE PROTEST — Demonstrators gathered in Hamburg on Saturday to protest NATO's plans to deploy new nuclear missiles in West Germany. Police estimated that at least 60,000 people, many attending the national Protestant congress, took part in the rally.

Haig Says Better Relations With Hanoi Tied to Pullout of Troops in Cambodia

By Don Oberdorfer and William Branigin
WASHINGTON Post Service
MANILA — U.S. Secretary of State Alexander M. Haig Jr. told the foreign ministers of non-Communist Asia here that the United States will not improve relations with Vietnam or ease its economic and political pressures as long as Vietnamese troops occupy Cambodia.

New Spending Unlikely to Close Weapons Gap, Weinberger Says

By Drew Middleton
WASHINGTON — Secretary of Defense Caspar W. Weinberger has acknowledged in an interview that the Reagan administration's accelerated military effort was unlikely to close the gap between the United States and the Soviet Union in conventional weapons in the immediate future. But he stressed in the interview that it would demonstrate to NATO allies the strength and resolution of the United States.

McNamara Warns U.S. on Third World Aid

By Leonard Silk
WASHINGTON — Robert S. McNamara, who retires this month after 13 years as president of the World Bank, believes that U.S. economic and political interests will be seriously injured if it retreats further from its earlier commitments to aid the poor in the Third World.



Robert S. McNamara

that the World Bank is supported by U.S. commercial bankers as a kind of bail-out operation for banks that lent too heavily to developing countries, Mr. McNamara responded.

Israeli Cabinet Condemns UN Resolution Against Reactor Attack, Criticizes U.S.

By David K. Shipler
JERUSALEM — Israel on Sunday rejected the UN Security Council's condemnation of the bombing attack on Iraq's nuclear reactor two weeks ago and chided the United States for approving "this unjust resolution."

INSIDE Budget Battle U.S. President Reagan joins a new budget battle with the Democrats on Capitol Hill by strongly endorsing a Republican proposal to change the basic spending priorities established by House committees over the last month. Page 3. Space Link-Up Two of the Soviet Union's largest satellites capable of carrying men link up in orbit — the precursor of a very large space complex that U.S. sources expect to have military uses. Page 5.

# Carter, Reagan Administrations Quashed China Spy-Post Story

By Murrayarder  
Washington Post Service

WASHINGTON — For almost a year, the Carter and Reagan administrations did their utmost to prevent public disclosure of the existence of two secret electronic monitoring stations operating in China with U.S. equipment and Chinese personnel.

The Carter administration succeeded in keeping the story out of print, but the Reagan administration did not, although vigorous attempts by top-level officials to forestall publication continued into the late afternoon last Tuesday, just before NBC-TV's nightly news went on the air.

The NBC report was not the first public reference to the secret missile-monitoring stations, but it had the greatest national and international impact. Anchorman John Chancellor opened by saying:

"Good evening, The United States and the People's Republic of China have been watching missile tests in the Soviet Union for the past year from two secret monitoring stations deep in China..."

NBC then switched to Marvin Kalb, a diplomatic reporter in Washington, for the actual report, with accompanying film that included street scenes in Tehran showing wildly cheering crowds hailing Iran's revolution. Among other things, the Iranian upheaval had wiped out electronic eavesdropping posts operated by the United States for years on the Iranian-Soviet border. The monitoring installations now in China are their replacements.

The existence of the monitoring posts had been reported obliquely on June 14 in The Washington Post and, as a consequence, less obliquely in one paragraph of William Safire's column entitled "Es-say" in The New York Times on June 15.

In piecemeal fashion, veils were being removed from a behind-the-scenes debate involving the government and press about publishing a story that officials of two administrations had tried to keep out of print.

Ironically, the beginnings of the

story had been known since at least April 20, 1979, when China's offer to replace the Iranian monitoring stations was reported on the front page of The Post. Under a Hong Kong dateline, Jay Mathews reported:

"Chinese Vice Premier Deng Xiaoping... said today that China is willing to use American equipment on Chinese soil to monitor Soviet compliance with a proposed new arms limitation treaty, according to U.S. senators visiting Peking."

"Pursue the Matter"

The report also said that Mr. Deng, "in response to a question from Sen. Joseph R. Biden Jr. [Democrat of Delaware], made clear that the monitoring stations would have to be run by Chinese and that Peking would share the collected data with Washington."

The delegation's leader, Sen. Frank Church, the Idaho Democrat who was then chairman of the Senate Foreign Relations Committee, told reporters who asked for his reaction to Mr. Deng's offer: "We'd have to pursue the matter further."

To an even half-alert Soviet intelligence officer in Washington, that report surely resulted in alarms to the Kremlin.

It should have been obvious that the U.S. government, and the CIA in particular, were unlikely to pass up such an opportunity, especially when the loss of Iranian monitoring posts was a very troublesome issue for the Carter administration in its attempt to complete the second strategic arms limitation treaty. That pact finally was signed by President Jimmy Carter and Soviet President Leonid I. Brezhnev a few months later in Vienna, although it was never ratified.

Times Discussed

Similar alarms should have been ringing in U.S. newspaper offices about any follow-up to Mr. Deng's offer. But it was not until November, as best as can be established, that The Times had the story, or as much of it as was available to it.

The existence of a monitoring "facility" in China became known to Richard R. Burt, then national security reporter for The Times — who had a reputation for "breaking" what government officials regarded as some of the most sensitive stories — and to his Times colleague, Philip Tanbaum.

The monitoring secret reportedly also became known about that time to one or two other journalists, but not to any reporters at The Post. According to journalistic sources, The Times was talked out of publishing the story last November on "national security grounds" by Mr. Carter's national security affairs adviser, Zbigniew Brzezinski, and perhaps others.

These sources said The Times was again talked out of publishing the report as a prominent news story as recently as last Tuesday by CIA Director William J. Casey. At that point, the story had been reported June 14 in the context of an overall review of China policy in The Post by this reporter, and then by Mr. Safire.

By that time Mr. Burt had left The Times and had been named director of the State Department's Bureau of Politico-Military Affairs, becoming one of the administration's prime keepers of secrets.

The monitoring story's impact had increased greatly by last Tuesday as a result of the U.S. decision to authorize the first sale of "lethal" U.S. military equipment to China on a case-by-case basis. As a consequence, by Wednesday the story was of primary importance and interest to all news outlets, and they were able to verify it on a "background" basis. (The story, under Mr. Tanbaum's by-line, was published in Friday's editions of the International Herald Tribune.)

# U.S. Reportedly Prepares 'New Policy' Toward Asia

(Continued from Page 1)

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House Panel Wary

WASHINGTON (WP) — A House subcommittee has unanimously urged President Reagan not to sell Taiwan the FX or any other advanced combat aircraft and to approach arms sales to China "with the greatest caution."

The letter, signed by the chairman of the subcommittee on Asian and Pacific affairs, Rep. Stephen J. Solarz, Democrat of New York, and the subcommittee's seven other members, was written after a series of hearings that explored U.S. policy toward China and Taiwan.

In Peking, aides said, Mr. Haig told the Chinese in private that he would approach the subject of the airplanes "prudently" and "responsibly."

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# Haig Calling For Pullout

(Continued from Page 1)

that the United States is mounting against Vietnam in international aid deliberations, Mr. Haig said, "We will continue to question seriously any economic assistance to Vietnam — whatever the source — so long as Vietnam continues to squander its scarce resources for aggressive purposes."

Mr. Haig charged that the Soviet Union has intruded into the region with military facilities at Camranh Bay and increased military activity in the waters and air of the western Pacific and South-East Asia.

In response, he pledged, "The United States will maintain and strengthen its own military capability in the Pacific and Asia as a contribution to the security of the area."

He was low key in his discussion of announced U.S. arms dealings with China, calling the move an internal decision that merely involved shifting China from one category to another on arms. Conceding that Asian allies had not been consulted before this decision, Mr. Haig promised to do so before any arms are actually supplied. He predicted that the sales would be slow and evolutionary.

Mr. Haig's statements were more confrontational on Indochina than those of the ASEAN final communiqué. ASEAN strategy is to tone down criticism in order to win support of nonaligned nations. There was no public criticism of Mr. Haig's tough line by the ASEAN ministers, however.

In their communiqué Thursday, the ASEAN foreign ministers, representing Thailand, Indonesia, Malaysia, Singapore and the Philippines, urged Vietnam to join efforts to reach a political settlement in Cambodia, where 200,000 Vietnamese occupation troops have been propping up a government installed by Hanoi in 1979.

Among the initial steps toward such a settlement, the organization called for the dispatch of a United Nations peacekeeping force to Cambodia, withdrawal of all foreign armed forces and the disarming of all Cambodian factions. ASEAN delegates said other details of the plan would be presented at the UN-sponsored conference in New York.

# Senior Official Terms Detente Failure for U.S.

ALPBACH, Austria — A senior American official said Sunday that for the United States detente was a failure, and he appealed to Western Europe to join the United States in facing up to the Soviet Union.

Lawrence S. Eagleburger, assistant secretary of state for European affairs, warned West Europeans not to underestimate the threat that he said Soviet power presented to the world and not to overlook the new U.S. appreciation of the threat.

"Detente for you, for Berliners, for Germans, has made a difference," he said here. "But for us, detente has been a failure. We expected a certain type of behavior from the Soviet Union and we didn't get it."

He told a seminar on U.S.-West European relations that Western countries should be able to counter Soviet threats if they united in this decade to oppose Kremlin policy. But he said the United States was no longer able to carry all the responsibility for Western detente.

Mr. Eagleburger said the United States had regained its pre-Vietnam War confidence that it could exert control over events, while the Soviet Union was becoming mired in increasingly grave problems. "We face a Soviet Union which is not 10 feet tall. They have deep internal problems. . . . The only nations they have on their side are those they finance, feed or frighten," he said.

# Hundreds Cheer IRA Fugitive at Grave Ceremony

DUBLIN — One of eight Irish Republican Army prisoners convicted in absence of terrorism after being shot their way out of a Belfast jail appeared at a political ceremony near here Sunday amid cheers from hundreds of people.

Michael Anthony McKee, who escaped from the Crumlin Road prison in Northern Ireland on June 10, attended the annual graveside ceremony honoring Irish patriot Wolfe Tone, who is buried in a cemetery located about 20 miles (32 kilometers) south of Dublin.

In the north, a British military base in West Belfast was hit by about 10 mortar rounds Saturday night and the IRA said Sunday it carried out the attack.

IRA said it killed Police Constable Neal Quinn, 53, a Roman Catholic and the father of three, at Newry near the border because the Royal Ulster Constabulary helps to maintain British military presence in Northern Ireland, the IRA said.

# Vote Rejects Bani-Sadr

(Continued from Page 1)

ovation when they stepped onto a balcony of the parliament building after the vote against Mr. Bani-Sadr.

Mr. Rafsanjani told the crowd: "By your help, one of the greatest problems blocking continuation of the revolution has been removed." He then said he would immediately inform Ayatollah Khomeini of the Majlis' decision.

The crowd responded with "Bani-Sadr must be executed" whereupon the speaker said: "From now on Mr. Bani-Sadr is eliminated from the Islamic republic. Switch your slogans toward America." The crowd took up the cry, "Death to America."

Demonstrations of groups supporting and opposing to Mr. Bani-Sadr were also reported in Hamadan, Shiraz, Meshhed, Qom, Zahedan, Arvaz, Behbahan and Bandar Abbas, the official Pars news agency said.

# Jury Convicts 2 In Dominica Plot

NEW ORLEANS — Mercenaries Joe Daniel Hawkins and Stephen Don Black have been found guilty by a federal court jury of conspiracy and violating U.S. neutrality acts for plotting to overthrow the government of Dominica. A third man, Michael Norris, was acquitted.

Mr. Hawkins and Mr. Black, the latter a Ku Klux Klan leader, were found innocent Saturday of violating five firearms statutes. Each could receive a maximum sentence of eight years in prison and \$13,000 in fines on the other counts. Judge Lansing Mitchell set sentencing for July 22.

The three were brought to trial on charges of plotting to overthrow the government of Dominica, a small island republic in the Caribbean. The leader of the operation, Michael Perdue, had pleaded guilty and was the prosecution's chief witness against Mr. Black, Mr. Hawkins and Mr. Norris.

# Belgrade Announces Anti-Inflation Steps

BELGRADE — Yugoslavia has announced plans to curb price rises, restrict some imports and let its currency fall against the dollar. The measures are aimed at keeping inflation for the year down to the planned 32 percent.

Deputy Premier Zvonko Dragan said Friday that the cost of living had risen 21 percent in the first five months of this year, and he announced ceilings of 7 percent on retail prices and 5 percent on services. He also said the government was concerned about the increasing dependence of Yugoslav exporters on the Soviet bloc.

# Ice Fall on Mt. Rainier

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Pope John Paul II arriving at Rome's Gemelli Hospital.

# Pope Hospitalized With Fever; Doctors Suspect Lung Infection

ROME — Pope John Paul II, suffering from a persistent fever that has slowed his recovery from gunshot wounds, was hospitalized unexpectedly Saturday for tests, a hospital spokesman said Sunday.

The spokesman for the Gemelli Hospital said that the pope may have a lung infection, "but we don't think there is anything wrong with his intestines." He said the pontiff's temperature Sunday was 100 degrees Fahrenheit (38 Celsius).

An infection in the intestines, where the pope was shot in the attempt on his life in St. Peter's Square May 13, would have required an urgent operation. The pope was already expected to have surgery next month to reverse the colostomy, or intestinal bypass, performed on him after he was shot.

The hospital spokesman said the pope was spending the day resting Sunday and no special tests were planned. He did not predict how long the pope would be in the hospital. Dr. Emilio Tresalti, chief medical officer for the hospital, said the pontiff's life was not in danger.

Dr. Luigi Candia, one of the pope's physicians, said John Paul was on a normal diet, a further indication that the fever was not caused by an infection in the intestines. The pope was released from the Gemelli Hospital June 3 following his earlier treatment.

In a taped address broadcast at noon Sunday in St. Peter's Square to a crowd of about 8,000, the pope wheezed slightly and spoke in a slow, labored voice. The three-minute message was recorded Saturday a few hours before the pope's hospitalization, the Vatican said.

# Ex-Inspector Says Iraq Planned Nuclear Bombs

By A.O. Sulzberger Jr.  
New York Times Service

WASHINGTON — A former inspector for the international Atomic Energy Agency said that he was satisfied Iraq had been planning to develop atomic bombs using the nuclear reactor destroyed by Israel and that international safeguards would not have detected secret production of plutonium in the reactor for weapons.

The former inspector, Roger Richter, was one of three persons familiar with nuclear reactors to testify Friday that Iraq would have been capable of using the reactor bombed on June 7 to produce plutonium, which can be used to make atomic weapons.

But neither of the other witnesses, Robert Seldon, head of the applied theoretical physics division at Los Alamos Laboratory, nor Herbert J.C. Kouts, chairman of the department of nuclear energy at Brookhaven National Laboratory, would say under questioning if he believed that Iraq was in fact planning to use the reactor to produce fissionable material for weapons.

Testifying before the Senate Foreign Relations Committee, Mr. Richter said his concern over agency constraints in inspecting the Iraqi reactor led him to report his misgivings to the State Department last year. He said that he had never personally inspected the reactor, explaining that checks of the Iraqi plant had been conducted only by Soviet or East European members of the International Atomic Energy Agency.

"The available information points to an aggressive, coordinated program by Iraq to develop nuclear weapons capability during the next five years," Mr. Richter said he wrote in a letter to the State Department's mission to the agency. "The IAEA safeguards are totally incapable of detecting the production of plutonium in large-size material test reactors under the presently constituted safeguard arrangements."

Mr. Richter's testimony contradicts a statement made last week by the director general of the agency, Sigvard Eklund, who said that any attempt by Iraq to produce plutonium in the reactor would be detected "with very high probability," meaning in the Iraqi case "a full guarantee."

After Mr. Richter's testimony a State Department official who declined to be identified said that Mr. Richter had been a "low-level, junior inspector."

According to a one-page biography distributed by Sen. Alan Cranston, the California Democrat who said several months ago that Iraq was developing nuclear weapons, Mr. Richter is a 33-year-old Californian who for more than three years has been an inspector for the atomic agency living in Vienna.

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(Continued from Page 1)

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# 2 Dissidents Detained in South Africa

## Black Media Leader And Student Seized

JOHANNESBURG — Security police arrested two more black leaders over the weekend, bringing to at least eight the number of prominent dissidents detained or banned recently in an apparent crackdown on critics of South Africa's racial policies.

A police spokesman said Zwelakhe Sisulu, president of the black Media Workers Association of South Africa, and Wentu Zentili, president of the Congress of South African Students, were arrested under security laws that provide for unlimited detention without trial.

On Thursday, Thami Mazwai, news editor of the black-oriented newspaper, The Sowetan, and black student leader David Johnston were arrested and liberal white student leader Sammy Adelman was served with a five-year banning order that restricts his movements and prevents him from speaking in public.

In recent weeks, the authorities have arrested at least three other prominent critics of the government: mixed-race student leader Aziz Jardine; Andrew Boraine, white president of the National Union of South African Students; and Joseph Mavi, leader of the black municipal workers union in Johannesburg. They remain in detention.

Mr. Sisulu is the son of Walter Sisulu, a leader of the outlawed African National Congress who is imprisoned on Robben Island off Cape Town. Banned earlier this year, the younger Mr. Sisulu was arrested at his home in Soweto before dawn Saturday. Police refused to say where Mr. Zentili was seized.

The Media Workers Association reacted by urging Western governments, particularly the United States, to act against South Africa for "his harsh repression of dissent." The white South African Society of Journalists condemned the arrests.

# WORLD NEWS BRIEFS

## 30 Arrested in London Riot of 500 Youths

LONDON — Thirty youths were arrested when about 500 teenagers, most of them black, went on a 90-minute rampage in a main shopping street in southeast London on Saturday night, smashing shop windows and cars and looting stores.

A civilian and a police officer were slightly hurt in the disturbance in the Peckham district, Scotland Yard said. Peckham is about 2 miles (3.5 kilometers) from Brixton, where three days of street rioting two months ago led to about 300 arrests.

The trouble in Peckham began as a fairground was closing for the night. Scotland Yard said youths tore up wooden fencing around the fairground and began throwing it at motorists and police cars. The rioters then went down Kye Lane, the district's main shopping street, breaking about 30 shop windows and looting the stores.

## Toll Revised Upward in Cairo Religious Riots

CAIRO — Egyptian Interior Minister Nabawi Ismail has admitted to Parliament that the death and injury toll is higher than earlier reported on recent religious clashes here between Muslims and Coptic Christians.

Mr. Ismail told lawmakers Saturday that 10 were killed and 55 injured in rioting that lasted three days. He said 113 persons have been detained and 37 rifles and pistols were seized.

A ministry statement printed Friday said only 2 were killed and 31 arrested in riots that began Wednesday night in the El Zawaya el Hamra housing project. On Friday, sermons in government mosques concentrated on the theme of national unity and the tolerant views of Islam towards non-Muslims.

## Angola Tells Western Envoys It Needs Cubans

LISBON — Cuban troops will stay in Angola as long as external threats to the country's security are not removed, Angolan Deputy Foreign Minister Vazancio de Moura was quoted as saying.

According to a report from the Angolan news agency on Saturday, he told the French, West German and British envoys in Luanda, Angola, that the independence of Namibia could not be made contingent on the withdrawal of the Cuban troops stationed in Angola.

Angola is a sovereign country that can turn to its friends to help in its defense, Mr. de Moura told the three envoys when he summoned them on Thursday, the news agency said. The Angolan government has contended that it needs the Cubans to defend it from South Africa as long as Namibia (South-West Africa) is under Pretoria's administration.

## Rioting in Casablanca Leaves Several Dead

CASABLANCA, Morocco — Riots in Casablanca on Saturday left several persons dead, Western diplomatic sources said. A report on Morocco's state-controlled radio blamed a Socialist-backed labor union which had organized a demonstration earlier in the day to protest government-imposed price rises.

The riots erupted Saturday afternoon in working-class neighborhoods. "When the demonstration started to break up, people in the crowd began clashing with the police," a Western source said. "The crowd went crazy. They started throwing rocks and overturning cars and setting some of them on fire."

There were no official reports on casualties, though at least one foreigner died — 63-year-old Frenchman Alexandre Cuguel was killed when a rock crashed through the window of his car as he was driving with his family through the riot area.

## Libyan Jets Said to Bomb Guerrillas in Chad

KHARTOUM, Sudan — Libyan warplanes are attacking positions of Chadian guerrillas opposed to Libya's military intervention in Chad, reliable Chadian sources reported here.

Fighting was raging in the Arba district of Chad, 38 miles (60 kilometers) from the border with Sudan, the sources said Friday. They said the jets had bombed positions of guerrillas loyal to former Chadian Defense Minister Hissene Habre, whose forces are believed to number about 6,000.

The same sources said troops loyal to Chad's president, Goukouni Oueddeï, had been engaged since Tuesday in fighting with the guerrillas, whose main bases are near Sudan. Western and Sudanese military analysts estimate Libya has had some 12,000 troops stationed in Chad since its intervention in December. They reportedly have MIG-23 fighters and helicopter gunships.

## China Reportedly Opens Session to Out Hua

PEKING — A long-delayed session of the Chinese Communist Party's Central Committee has started, in which Hua Guofeng is expected to be removed from the chairmanship, diplomatic sources said Sunday.

Both Chinese and diplomatic sources have said the crucial sixth plenary session, originally due to be held late last year, would name Hu Yaobang, a close ally of Chinese strongman Deng Xiaoping, as Mr. Hua's place.

The meeting is also due to endorse a so-called historical document appraising the role of Mao following the dismantling of many of his policies and the drastic reduction of his status.

## French Socialists Win Majority of Seats

(Continued from Page 1)

President Mitterrand is believed to be leaning toward eventually offering the Communists a few minor Cabinet posts in order to encourage the emergence of a more moderate line and to avert any problems with trade unions where Communist influence is strong. But other Socialists, urging that any Cabinet invitation to the Communists await a shake-up in their party, argue that the presence of Communists could strain relations with allies abroad and discourage investors, particularly conservative Arabs who keep large deposits in France.

Political Wilderness

With the prospect of Socialist control of the legislature for the next five years and Mr. Mitterrand's firm grasp on the presidency for a seven-year term, the conservatives seem destined for a lengthy, cantankerous journey through the political wilderness. Many Giscardists are convinced that the defeat of the center-right was largely due to the divisive campaign mounted by Mr. Chirac, the neo-Gaullist leader, against Mr. Giscard d'Estaing during the presidential race. The neo-Gaullists insist that Mr. Giscard d'Estaing was too unpopular to be re-elected anyway.

Mr. Chirac is now asserting that if the center-right maintains its unity in the Senate, the upper chamber of the legislature, where conservatives hold a majority, there is still a chance to "prevent certain errors or aberrations" in the Socialist program. But the National Assembly is expected to elect a Socialist government.

## U.S. Settles Suit For Mine Deaths

PIKEVILLE, Ky. — The U.S. government agreed to pay \$2.1 million in settlement of a lawsuit charging that officials of the Mine Safety and Health Administration were responsible for the deaths of 11 men who entered an explosion-wrecked coal mine in 1976 on a rescue mission only to die in a second blast.

In a separate settlement last August, Blue Diamond Coal Co. agreed to pay \$5.9 million to be divided among 13 widows and 22 children of the miners killed in the first explosion.

The basis of the second suit settled Friday was that the victims were led by three officials of the federal mine safety agency, who endangered the rescue team. The two explosions killed 26.

## McNamara Fears Congress Faltering on Foreign Aid

(Continued from Page 1)

plishment, he feels, was learning to focus resources and technical assistance on the poor, raising their productivity and hence their output and real income.

With the statistical exactness for which he is noted, first as a Harvard Business School professor, then as a statistical controller in the Air Force during World War II and as president of Ford Motor, Mr. McNamara reeled off the rates of return from investments in anti-poverty programs in Bangladesh, Pakistan, Burundi and other poor countries. These rates of return ranged as high as 50 percent and averaged 19-20 percent on invested capital.

Leaving the World Bank with some regret, Mr. McNamara has accepted a number of appointments to the boards of nonprofit institutions, including the Brookings Institution, the Ford Foundation, the Urban Institute and the California Institute of Technology, as well as to the boards of such corporations as Royal Dutch/Shell, Coming Glass and The Washington Post.

Among his disappointments from his term at the lending agency, he said the greatest was that "we and others have failed to inform the people of the industrial countries of the nature and magnitude of the changes in the relationships among nations, economically and politically, over the last decade — especially their greater interdependence."

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(Continued from Page 1)

plishment, he feels, was learning to focus resources and technical assistance on the poor, raising their productivity and hence their output and real income.

With the statistical exactness for which he is noted, first as a Harvard Business School professor, then as a statistical controller in the Air Force during World War II and as president of Ford Motor, Mr. McNamara reeled off the rates of return from investments in anti-poverty programs in Bangladesh, Pakistan, Burundi and other poor countries. These rates of return ranged as high as 50 percent and averaged 19-20 percent on invested capital.

Leaving the World Bank with some regret, Mr. McNamara has accepted a number of appointments to the boards of nonprofit institutions, including the Brookings Institution, the Ford Foundation, the Urban Institute and the California Institute of Technology, as well as to the boards of such corporations as Royal Dutch/Shell, Coming Glass and The Washington Post.

Among his disappointments from his term at the lending agency, he said the greatest was that "we and others have failed to inform the people of the industrial countries of the nature and magnitude of the changes in the relationships among nations, economically and politically, over the last decade — especially their greater interdependence."

## Dohnanyi Nominated As Hamburg Mayor

HAMBURG — The Social Democratic Party has nominated Klaus von Dohnanyi, former state secretary in the Foreign Ministry, as mayor to replace Hans-Ulrich Klose, who resigned last month in a dispute over the nuclear power plant in nearby Brokdorf. The Social Democrats control the city assembly, so that their candidate is almost sure to win the vote on Wednesday.

# Reagan Fighting for Republicans' Plan To Reshape House Spending Priorities

By Steven V. Roberts  
New York Times Service

WASHINGTON — President Reagan has opened a new front in the budget battle with Democrats on Capitol Hill by strongly endorsing a Republican plan to change the basic spending priorities already established by House committees over the last month.

subsidized housing, school lunches and student loans. It would also revive six programs that would transfer federal money from Washington to local communities.

On Capitol Hill, Rep. Robert H. Michel, the Republican minority leader in the House, said his party's proposal would present Congress with "the real nitty-gritty gutsy vote" on federal spending.

resent what they feel is an attempt by the White House to impose its own priorities on Congress.

# White House's Policy on Budget Is Seen As Wider Bid to Cut Liberals' Power Base

By Steven V. Roberts  
New York Times Service

WASHINGTON — In recent months the White House has inundated Congress with numbers — budget cuts, tax rates, spending ceilings. But while the battle has been "control the federal budget," a growing group of both parties now believe the real purpose goes far beyond mere figures.

On the House Appropriations Committee, said that President Reagan discussed this very issue with Republican leaders at breakfast 10 days ago.

This has outraged conservatives, who see legal services as the heart of the liberal network they are trying to unravel.

David A. Stockman, the budget director, conceded Friday that the House had met its overall budget targets. Lawmakers in both parties are complaining that the White House is now reneging on its promise to accept the work of the congressional committees.

# Butz Sentenced To Jail, Fined in Tax Fraud Case

The Associated Press

FORT WAYNE, Ind., — Former Agriculture Secretary Earl L. Butz has been sentenced to 30 days in jail and fined \$10,000 on a federal income tax charge.

A related issue surfaced last week when the House passed a bill retaining the legal services program as a separate entity, rejecting Mr. Reagan's plan to fold its funding into a block grant.

U.S. District Court Judge Jesse Eschbach on Friday also ordered Mr. Butz to serve probation for the balance of a five-year term. He had pleaded guilty to charges of understating his income on tax forms.

The rejection of the Supreme Court's past role was highlighted by Mr. Reagan's comment that the successor to retiring Associate Justice Potter Stewart would be dedicated to the ideas of interpreting law, not enacting new law by judicial fiat.

# Justice Stewart Explains His Retirement, Looks Back at 23 Years on High Court

By Linda Greenhouse  
New York Times Service

WASHINGTON — Citing his belief in the "principle that it's better to go too soon than to stay too long," Associate Justice Potter Stewart has explained his decision to retire from the Supreme Court next month and his view of the job he has held for 23 years.

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The teeth were fashioned in 1795, during Washington's second term as president, by his dentist, John Greenwood, according to Ellen McCalester, the librarian at Mount Vernon, the president's home on the Potomac.

Incised on the inside of the teeth, Miss McCalester said Friday, were the words: "This was the Great Washington's teeth."

The false teeth had been loaned to the Smithsonian 16 years ago by the University of Maryland Dental School, which had acquired the set many years ago, presumably from the Greenwood family.

# Sandinista Policy Arouses Distrust of Coastal Indians

By Alan Riding  
New York Times Service

MANAGUA — Soon after the Nicaraguan revolution, the Sandinista daily, Barricada, published several issues in the Miskito language as evidence of the new government's commitment to bringing progress to the forgotten and isolated Indian communities of the Atlantic coast.

But because the region had been neglected rather than repressed by the regime of Anastasio Somoza Debayle and had been untouched by the fighting in 1979, the Indians of the Atlantic coast were neither anti-Somoza nor pro-Sandinista as the rest of the country.

But almost two years later, the Indian region of northern Zelaya province is in turmoil and distrust of the Sandinistas is running deep. Now, publishing only in Spanish, Barricada dedicates its columns to denouncing the Indian organization that has rebelled against the Sandinista leadership.

Over the last two years, the government has made progress in ending the isolation of Zelaya. But eager to assert their control over the region, the Sandinistas established a strong military presence that disturbed the Indians and helped contribute toward the anti-government riots last September.

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# Expedition to Congo Seeks Live Dinosaur

By Philip J. Hilt  
Washington Post Service

WASHINGTON — A three-man team of American explorers is preparing for an expedition into the jungle of the Congo Republic in search of a dinosaur.

stays mostly in the water and comes to the shore only in the early morning or at dusk to feed on vegetation. "The natives say they are vegetarians only up to the point that you get in their way," Mr. Regusters said. "Then they can be ferocious, and there are some reports of natives being killed by them."

Not a fossil. A dinosaur. A live, big one.

There may be other dangers. Although cannibalism and head-hunting are outlawed in the Congo, Mr. Regusters said some still occurs in the outlying regions where the explorers are headed.

What the scientists, including Roy F. Mackal, a microbiologist and tissue expert at the University of Chicago, are looking for is the African Bigfoot, the Loch Ness monster of the jungle.

They are paying for the expedition out of their own pockets and with some donations and loaned equipment. The group expects to leave New York at the end of August.

Whether there are dinosaurs or not, we don't know," Mr. Mackal said. "But we're going to check it out. I admit to having some romance in my soul."

Or so Mr. Trudeau had hoped. The nine judges of the Supreme Court have upset his timetable by not yet deciding on the government's proposals to transform the British North America Act into a constitution controlled exclusively by Canada. Eight of the 10 provinces are bitterly contesting the plan, and six weeks ago the Supreme Court was asked to rule on its legality.

His colleagues are skeptical, and he remarked: "You have to have a thick skin. ... If they say it's extremely unlikely, then I'm the first to agree. But it's not impossible. We've got to check out the long shots, because they pay off once in a while."

The federal government had been confident that the court would back its position and clear away the last legal hurdle before final approval to a resolution that would have then gone to the British Parliament for action. As late as 10 days ago, the prime minister was still expressing hope that the July 1 goal would be met.

Over the past two centuries, there have been many reported sightings of the reptile which the local people say frightens away hippopotami. Recently a crocodile expert working near Lake Tele in the Congo photographed a clawed, 36-inch footprint the people identified as belonging to the animal.

The dispute centers on a request that Britain add a bill of rights to the federal and provincial governments before relinquishing control. Largely because they fear such a bill would cut into their powers, most of the provinces have opposed it. A court in Newfoundland has backed them while courts in Manitoba and Quebec have backed Ottawa. It was the appeals to these decisions that the Supreme Court heard at the end of April.

On a recent African trip, Mr. Mackal convinced himself of the worthiness of the expedition when he did a little poll of the local people. He took along pictures of a variety of animals, including some from that section of Africa and some foreign species like the American black bear, and in the midst of the sample was a picture of a brontosaurus.

In advance of the ruling, the opposed provinces have served notice that they will not drop their opposition to the proposals. The provinces contend that however legal they may be found to be, the proposals are still not legitimate and, in the view of the Quebec government, are even "immoral."

He said the people readily identified all the animals from their region, including the brontosaurus. The black bear and other foreign species they said they had never seen. Mr. Mackal said he spoke to half a dozen who said they had seen mokele-membe.

Some constitutional experts have expressed the belief that the nine judges are seeking a consensus among themselves so as to avoid a split decision that would aggravate the political divisions in Canada. But some of the judges have the reputation of leaning toward provincial rights while others are inclined to favor the federal side, so a unanimous ruling may not be possible.

But the court announced last Wednesday the final list of cases on which it will hand down decisions Tuesday before it adjourns until October, and the constitution was not on the list. The court has been known to break its holiday and reconvene during the summer, but in any case the hopes for a big celebration July 1 have been dashed.

The region in which the brownish-gray beast is supposed to live is poorly mapped and virtually unexplored except by the Binga Pygmies who live there. Mr. Mackal said that the region has changed very little in the past 70 million years. "So if there is a relic species, this would be a good place for it. ... It's like a lost world in some ways."

Mr. Regusters borrowed the satellite receiver and will bring along half a dozen film and videotape cameras, including one that can get bright pictures even on a moonless night.

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Mr. Regusters borrowed the satellite receiver and will bring along half a dozen film and videotape cameras, including one that can get bright pictures even on a moonless night.

To power all this, he assembled a backpack-mounted solar plate that can recharge the battery packs over a period of hours.

The local people say the animal

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- HOLDING COMPANIES:** Advantages to non-resident investors. The Bank is fully qualified to advise in setting up holding companies for clients. Pages 3 and 6.
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## Flawed Nuclear Safeguards

A kind of war is being promoted between those who think the most reprehensible country in the Middle East is Israel, for bombing the Iraqi reactor, and those who put the heaviest burden on Iraq, for building it. But this is a pious war. Both sides, hoping for advantage, might like it, but there is good reason not to force a choice that has the effect of giving a free ride to pre-emption or to proliferation, as the case may be. The real need is to address the perils in both policies.

For its attack Israel is being severely and, in our view, properly called to account, in particular by the United States, the only country with the political and moral standing in Israel to have its rebuke taken seriously. Tough words — mixed with some exculpatory ones — have come from the White House. The normal flow of arms has been interrupted and the terms of the future flow put under review. The question of what controls should be put on Israel's own nuclear plant is finally out in the open. At the United Nations, Israel has seen the United States make common cause with Iraq in condemning the raid.

The administration has not broken its basic tie to Israel. But it is insisting on conducting an American policy, not an Israeli policy, in a region where its interests are varied and complex. President Reagan, moreover, has begun calling for a "real and stable" peace, which, if it means anything, signifies an intent not previously visible to take up the Palestinian problem as well as the machinations of Soviet power.

Would that the administration had been nearly so resolute in facing the proliferation problem. Here it shows some of the same flaws afflicting the policies of countries using the episode simply to firm up their relations in the Arab world.

Personally, Mr. Reagan grants that the Israelis had "reason for concern" about the Iraqi nuclear program, arguing that they should have come to him so he could lean on France. But the bureaucracy dances away from the question of what Iraq was up to, suggesting there was really nothing to worry about. This is disingenuous.

There is plenty of room to argue over the imminence of the threat and the nature of the Israeli response. But there can be no serious doubt that Iraq was after a bomb.

The evidence for this does not rest on the

easily unmasked misstatements of Israeli propaganda after the raid. It rests somewhat on intelligence assessments of Iraq's intent. It rests even more on massive and uncontested facts: Iraq was stockpiling uranium ore but had no commercial nuclear power program. Iraq was acquiring training, technology and equipment in a pattern explicable only if it was making a bomb. All this American officials ignore.

Part of the blindness may spring from political considerations — an understandable desire to recoup the Arab-world losses that Israel inflicted on Washington by its attack. A larger part arises from obtuseness about proliferation. Typically, Mr. Reagan on Tuesday spoke out against proliferation but said he did not think that should "carry over into the development of nuclear power for peaceful purposes." Comforting as it is, the idea that there is a clear separation between the materials, facilities and know-how necessary to make bombs and those needed to make electricity is a fairy tale. There is virtually no separation. It comes down to intent.

Don't worry, respond the national providers and international overseers of "peaceful" nuclear where-withal, you can trust the international safeguards system. Here is another fairy tale. That system entails a pledge of abstinence and then inspections by the International Atomic Energy Agency. It is short full of holes. Not only can a country back out of the nonproliferation treaty, but IAEA inspections are carried out only a few times a year, are pre-announced, do not apply to all military-relevant facilities and may be canceled without warning, as Iraq canceled them for a spell in 1980.

True, in some circumstances the safeguards are part of the solution. But in Iraq-type circumstances, the safeguards are part of the problem: They provide a cover for bomb work and nurse the illusion that all is well. It is being said that the Israeli raid "threatens the international nuclear safeguards system." This is like saying nuclear war threatens detente. The raid did not threaten the system. It exposed its weaknesses. Many things must be done by many parties to halt the further spread of nuclear weapons. One is to improve the nuclear safeguards system.

THE WASHINGTON POST.

## Making Unnatural Haste

In 1974, reformers in Congress won a stunning triumph over a hundred years of haphazard government spending. A new budget process was instituted to give Congress more say over economic policy and more discipline over its own fragmented spending. But the reform was born a colt with shaky legs. Inflation continued to push the budget above the levels that Congress set for itself, and old spending habits were hard to change.

This year, for the first time, Congress is going about its budgetary business in earnest. But look who's riding away with the horse. President Reagan grabbed the reins only four weeks after inauguration, sending Congress an urgent plea to help restore the economy by making deep reductions in proposed spending. In March he sent along details, and by May, with strong bipartisan support, Congress put its committees to work to do what he asked — cut \$36 billion from the fiscal 1982 budget. The work has been completed and now Congress will vote on the results. It's fair to wonder whether the horse isn't being ridden into the ground.

What Congress will consider is called a reconciliation bill. It is the most amazing, im-

pressive and in some ways alarming accomplishment of the emerging budget process. It will be possibly 4,000 pages long and will comprise a thousand changes in a hundred laws, all in one bill. Yet Congress will vote the measure up or down after only limited debate, thereby ordering enough changes in federal programs to hold spending next year to the ceiling it adopted with the president's blessing in May.

Reconciliation was designed as a way to force congressional committees to live within the budget ceiling as the legislative year ended. But Ronald Reagan has invoked it from the start of the process, thus pushing Congress to make all those spending cuts with barely any deliberation.

There is something to be said for this strategy. It has enabled Mr. Reagan to act quickly and enabled Congress to do some long-overdue budget-chopping. But such speed and complexity are bound to generate mistakes — and injustice. Washington's ablest lobbyists have managed to protect their interests. The poor, predictably, will be asked to do more than their fair share for fiscal austerity.

THE NEW YORK TIMES.

## Ex-President Bani-Sadr

You remember Iran, the place in the Gulf that to all intents and purposes skidded off the American radar screen when the hostages were freed five months ago? It's back, at least for awhile. What's happened is that one of the few figures who seemed somewhat reasonable and likable, if maddeningly unreliable, during the hostage crisis has been undone. That's the president, Abolhasan Bani-Sadr, who, just before he went into hiding and possible flight abroad, was under house arrest and facing not simply impeachment but death at the hands of a howling mob.

It is being said of President Bani-Sadr that he lacked certain political skills. A more ironic way to put it is that he had an insufficient grasp of the forces of Islamic fundamentalism. Although elected with 76 percent of the vote early in 1980, he failed to build a party or firm up a constituency to contest the mosque-based machine organized by the mullahs. Nor did he manage to stay on the sweet side of his erstwhile mentor, Ayatollah Khomeini, who finally threw him to the dogs.

Such critiques may have merit. Yet Mr. Bani-Sadr seemed to many Iranians to be making an altogether worthwhile effort to balance the demands of Iranian tradition against the practical requirements of running a country, including fighting the war against the invading Iraqis. He also had assembled, he reported, 500 dossiers on torture victims. By Iranian standards, that made him a moderate. The obscurantists and zealots now seem to be in full command.

It matters little to most Americans where all this will take Iran. Yet the American interest in a stable, peaceful, prospering and, when circumstances permit, friendly Iran exists apart from the diplomatic ups and downs. Mr. Bani-Sadr was no closet pro-American. Yet he seemed to have a vision of his country's future compatible with an eventual return to stability and to mutually respectful relations with the United States. Those who have forced him out seem determined mostly to devour their own revolution.

THE WASHINGTON POST.

## In the International Edition

Seventy-Five Years Ago  
June 22, 1906

DRESDEN — Widespread satisfaction has been caused by the engagement of Prince Johann Georg and Princess Marie Immaculata of Bourbon-Sicily. Society especially is pleased and hopes the wedding will take place before next winter so that the Court festivities will have the presence of the bride. The princess is looked to as an important addition to society. A young Royal lady is much needed here, as the Queen Dowager goes virtually nowhere and Princess Mathilde goes out into society as little as possible. It is reported that Princess Marie Immaculata is fond of music, a fact that will help to endear her to the residents of a city where opera and music play such an important part.

Fifty Years Ago  
June 22, 1931

BERLIN — Dr. Julius Curtius, the German foreign minister, announced tonight that the German government, through its Washington embassy, has consented officially to President Hoover's plan for a one-year debts and reparations holiday. "Germany," said Dr. Curtius, "receives President Hoover's suggestion gratefully." If the plan is made effective, Germany's burden will be decreased 1,500 million marks during the year beginning July 1. But the Reich will benefit only by 840 million marks, as the remainder will go to the railroads because of their share in reparation payments. The most dignified government officials today scarcely concealed their jubilation over Mr. Hoover's action.



## China Policy: FX Scarcely Spells Finesse

By Edward Friedman

WASHINGTON — Despite a claim by a member of the entourage of Secretary of State Alexander M. Haig Jr. in Peking that the Chinese had been "all hearts and flowers" in the brief but important talks last week, Mr. Haig's visit should be understood as part of an attempt at crisis containment. The roots of the potential crisis run deep in the political soil of Peking, Washington, and Taipei.

In normalizing relations with the United States in December, 1979, the Chinese leader Deng Xiaoping agreed to finesse the Taiwan issue, merely agreeing to disagree over U.S. intentions to continue to sell defensive weapons to Taiwan. China, interested in developing the peaceful commercial possibilities of the Formosa Strait region, immediately reduced military tensions there to the lowest level since the entity began in 1949.

Mr. Deng's opponents in the conservative, superpatriotic Chinese military are denouncing the Taiwan arrangement as national capitulation. These foes — while no public spokesman has come forward, the foes are numerous and powerful — brand Mr. Deng's followers — who put reform, modernization and democratization first — as traitors who are forfeiting China's sovereignty. The arguments offered by Mr. Deng's adherents for strategically accepting long-term compromise as consonant with China's military weakness and its need to defend against Soviet expansionism are mocked as a "pretext of the scam of the nation."

The Deng group is under great pressure to get swift results on nonpolitical ties with Taiwan. Large parts of its reform program depend on tightening its loose coalition by developing, in addition to existing trade, other relations with the island, including mail, family visits, cultural exchanges and sports.

But Taiwan finds no reason to move in these nonpolitical realms. As Taiwan sees it, mainland politics have been fraught with terrifying twists and reversals. Taiwan insists on the right to wait and see if the new trend in Peking is truly institutionalized. Mr. Deng's difficulties give leaders in Taipei reason for pause.

Peking could add to Taipei's sense of security and perhaps increase Taipei's willingness to act on these nonpolitical matters. It welcomed Taiwan back into the Olympics as China (Taipei) and could use the same formula in international financial institutions. But Deng Xiaoping's opponents may oppose such gestures as humiliating capitulationism.

### Deng Coalition Threatened

To complicate things further, normalization of relations between the United States and China came with secret addendums. It was not caused by American constancies insisting on a needed and enlightened improvement in the U.S. international position. Consequently, many in Washington worried (unnecessarily, I believe) that the Carter administration might sell out Taiwan.

In response, in March, 1979, Congress passed the Taiwan Relations Act, which expressed the "clear... expectation that the future of Taiwan will be determined by peaceful means." Candidate Ronald Reagan promised to restore official relations with Taiwan, and Taiwan came to expect that a Reagan administration would sell it the advanced FX jet fighter as a symbolic proof of its commitment.

These U.S. initiatives threatened the way Washington-Peking normalization had finessed the Taiwan problem. The switch threatened the Deng coalition, leaving it more vulnerable to accusations of national betrayal.

Military conservatives used the Taiwan issue to oppose Mr. Deng's reform program — which included worker self-management, expansion of free-wheeling rural markets, local elections, decentralization of power, a further opening of newspapers and culture and religion — as reactionary, unpatriotic Westernization. This can place China's new political orientation at risk.

All this seems absurd considering what normalization has reaped. Peace flourishes in the Formosa Strait region. Tensions in Korea have eased. Peking and Washington coordinate common strategic interests against Soviet expansionism. China has gained science, technology and cheap capital, which provide economic underpinnings for long-term raising of its standard of living. Taiwan has won new, profitable trade with Europe and the mainland, which offsets the ill effects of international recession and high oil prices.

China has become, overall, America's third-ranking market in Asia, and it ranks first in cotton and wheat. More military and high-technology trade is in the offing.

But the gains are a bit fragile. They could be reversed if Washington sold the FX to Taipei, if Peking kept pressing for more nonpolitical relations with Taipei immediately, and if Taipei continued insisting on provocative military and political symbols of Washington's good faith.

Edward Friedman, a professor of Chinese politics who is on leave from the University of Wisconsin, is a member of the staff of the Subcommittee on Asian and Pacific Affairs of the House Foreign Affairs Committee. He wrote this article for The New York Times.

## Intellectuals Quietly Astir in Hungary

By Leopold Unger

BRUSSELS — For the Russians, Hungary is the land of the three miracles: It invented a magic cube puzzle with 3 billion possible solutions; it discovered a lotion that apparently really works against loss of hair, and it developed an overtly Communist regime that has the highest standard of living, culture and liberty in the Soviet bloc and can allow itself the luxury of applying unpopular measures — price increases, for example — without fearing a Polish-type rebellion.

Yet if Hungary is now on the front pages of Soviet newspapers, it is for another reason. Tass has just widely distributed the major part of a long editorial published by Nepezsabadsag, the organ of the Hungarian Communist Party, on the situation in Poland.

The Hungarian daily made no effort to alter the text imposed by Moscow on all Communist newspapers. The Kremlin demanded publication in full of the letter-ultimatum that Soviet President Leonid Brezhnev had sent to the Polish Communist Party warning it of an "evolution leading to a national disaster."

The Romanians did not bother reprinting the text. The East Germans and Czechoslovaks went out of their way to adorn the text to please their masters. But Tass chose the Hungarian reproduction to quote a warning to the Poles about "giving in to the class enemy

and being soft in the war against counter-revolutionaries." And Tass added that the Hungarian editorial expressed the "concern of Hungarian public opinion."

Nothing could be further from the truth. The Hungarian newspaper printed the Brezhnev letter and a trite commentary as a show of loyalty on the part of the Budapest authorities. But if Hungarian public opinion is worried, it is not for the reason implied by Tass.

Hungarian authorities have been extremely cautious in their attitude toward the Polish crisis. The traditional friendship between Poland and Hungary — in 1956 only the Poles tried to offer help to the Hungarians being massacred by the Red Army — makes every Hungarian gesture toward Poland a delicate matter.

At the same time, all Polish influence on Hungary is worthy of note, and is being noted, by interested neighbors. So it is with the group working with Andra Högöds, the country's last premier of the Stalinist period and today the least conformist of all Hungarian sociologists. What Mr. Högöds is currently suggesting is that Hungary should look into pluralistic Communism.

This does not mean a multiparty system. But Mr. Högöds sees the "Polish compromise" as a possible path to follow toward a third type of real Socialism, after the Soviet

model and the one created in Yugoslavia.

Another indication of the "concern of Hungarian public opinion" can be seen in the clandestine distribution of a 1,000-page report by 77 Hungarian intellectuals, including a number of Communist Party members and Hungary's best-known poet, Gyula Illyés. Each of these intellectuals declares in his own way, without knowing what the others had to say, that the Communist kick has no clothes.

A Rehabilitation  
The report is formally dedicated to the memory of Istvan Bibó, a former minister who was sentenced to life in prison after the Soviet invasion in 1956. Released in 1963, he died in 1979 without having been rehabilitated by the regime. This report has become his rehabilitation, but it goes much further. It demonstrates that there is an inherent incompatibility between Communism and democracy and points to directions that the regime could take and which appear to be close to the one on which Poland has now embarked.

The authors of this report discuss a major question for their nation: Does Hungary belong to Central or Eastern Europe? The question is not one of geography but of politics. For if Hungary's roots are in the centuries-old tradition of Central Europe, then the harvest is one of liberalism and social democracy. If Hungary was born of Eastern Europe, then it is the Byzantine tradition of totalitarian autocracy that has made its history.

The choice of 77 authors may not be a haphazard one and is very likely linked to the Charter 77 movement in Czechoslovakia, a fundamental movement for human rights and the promotion of national identity. Basically, the report concludes that the current regime in Hungary was imposed by a foreign power and has no national basis. The authors say openly that some responsibility lies with Hungarian intellectuals, who, with few exceptions, kept silent for years in

profound indifference. Clearly this is no longer the case. The Hungarian regime has reacted to this report with great caution. The government wants to avoid antagonizing Moscow and prevent any Polish type of popular movement.

Its reaction came in two forms. First, the carrot, with an announcement that the workweek will be reduced to five days in the near future and that labor unions will be given greater prerogatives. Then the stick, with creeping repression.

The Joseph Attila Young Writers Association was suspended when some of its members asked for permission to visit Poland. Selectively, the government forbade travel abroad to some, imposed an 8 p.m. curfew on others, and barred others from walking on certain streets of Budapest.

Slight Fallout  
None of this is as serious as the repression in Czechoslovakia, nor is the tension anywhere near as high as in Poland. Workers in Hungary seem to care little about politics. The Catholic church, whose leader, Cardinal Istvan Lékai, does not have the stature of a Cardinal Wyszyński, appears to be unconcerned by the state of government affairs.

Only the intellectuals seem liable to be affected by the germs of democracy wafting from Poland. Contrary to what Moscow had feared, there was no automatic fallout from the Polish explosion. For political, social and psychological reasons, the great of democracy on a Communist body seemed to take only in Poland.

But it may be just a question of time. Liberty is contagious and the Hungarian government remembers the reform movement of 1956, which started out as a debate among intellectuals. It also knows that before the independent union Solidarity was formed, the situation in Poland was being criticized by a Workers' Defense Committee, KOR, that was then composed of 35 intellectuals.

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## Investing Prague's Old Gold

By George F. Will

WASHINGTON — Now comes what surely will be the final installment in the long-running but little-noticed story of the Czechoslovakian gold, a drama that asks the question: Is even Sen. Daniel Moynihan, the Democrat from New York, a bit soft on Czechoslovakia?

In 1948 the Communists seized power in Prague and expropriated all property owned in Czechoslovakia by U.S. citizens. Communism always is theft, but this theft involved a peculiar problem. There was in the United States nearly 9 tons of gold belonging to Czechoslovakia. It was part of the gold captured by the U.S. Army when the Third Reich collapsed, and was awarded to Czechoslovakia by an international commission. In response to Czechoslovakia's expropriations, President Truman blocked the gold.

In 1958 a U.S. government agency placed a value of \$113.64 million on U.S. citizens' claims against Czechoslovakia. The United States seized and sold steel mill equipment belonging to Czechoslovakians and distributed the \$8.5 million in proceeds to claimants, leaving a balance owed of \$105 million. Today many claimants are elderly and in need; others have died without receiving justice.

In 1974 Czechoslovakia had the effrontery to offer \$20.5 million to settle the \$105-million debt, plus any unadjudicated claims by other U.S. citizens. The \$20.5 million was to be paid over 12 years and without interest. The State Department, full of the spirit of detente, thought that offer was dandy.

Congress objected and stipulated by statute that the gold must be held until a settlement is approved by Congress. The Senate Finance Committee said: "The United States simply cannot afford to proclaim... that expropriations of U.S. properties will quickly be forgotten if the taking nation ultimately offers a relative pittance in return."

33 Years On  
Patience is a virtue but not as practiced by the State Department. It has been negotiating, intermittently, since the year the Boston Braves won the pennant.

For 33 years Czechoslovakia has had the constant and cost-free use of American assets. Evidently the State Department did not negotiate at all between 1974 and 1980. But in 1980 Sen. Moynihan became, as he is wont to do, aroused.

He proposed legislation to give Czechoslovakia 60 days to reach settlement agreeable to Congress. After the deadline, the gold would be sold, the proceeds would be invested, and the yield distributed until all claims had been paid. Then the invested principal would be given to Czechoslovakia.

Twice last year the State Department urged Congress not to pass Sen. Moynihan's bill because serious negotiations were supposedly at hand. A year later we are, of course, no closer to an acceptable settlement than we were 33 years ago. Czechoslovakia's intransigence persists, in spite of the determined diplomacy of the State Department's most recent negotiator, Ambassador Rozanne Ridgeway.

The Senate Finance Committee has unanimously approved a Moynihan bill. The House version seems to be sailing toward passage. The State Department says it will decide by June 30 whether to support it. Surely only a sinister force could cause Al Haig to oppose it.

Compound It All  
It should, however, be improved. Homer nods and even Moynihan errs. He has been exemplary on this issue, but he should toughen the terms. U.S. relations with Czechoslovakia can hardly get worse while Czechoslovakia is serving as the Soviet Union's surrogate bully regarding Poland. So let's try a little linkage.

The bill should stipulate that the sum owed is not \$105 million. The value of the property should be calculated in 1948 dollars, then recalculated allowing for 33 years of compounded inflation, with 33 years of compounded interest added on. Then a fee should be added to reimburse the U.S. government for its time and labor.

Furthermore, the bill should stipulate that the invested funds from the sale of the gold must remain invested until they have generated enough interest to reimburse all those who left property in Czechoslovakia when they fled to freedom in 1968.

And even when all such claims have been paid, the invested funds should remain invested until the president certifies that Czechoslovakia is in complete compliance with the Helsinki agreements, of which it is a signatory. That means freedom to travel, free access to communications, and general freedom from repression for the Charter 77 dissidents and all other Czechoslovaks.

Given this requirement, the invested funds would remain invested for a while.

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## Letters

### Afrikaner Genealogy

The story (IHT, June 17) about Afrikaners not being keen to have their lineages traced, which quotes the head of Debreit's Peergae as saying that this is so out of fear of discovering a black ancestor, is just not true. Afrikaners are probably one of the world's best documented peoples, if not the best.

There is not an Afrikaner unable to tell you where his ancestors came from — be it Holland, Germany, France, Britain, Lithuania or wherever.

I would say it is a case of Debreit's Peergae just not being needed in South Africa. Apart from meticulously kept Dutch Reformed Church archives, there is the excellent South African Genealogical Society in Cape Town, which will supply any South African with a complete family tree for a very small fee of around \$10. There is also an up-to-date register of South African families, which makes it child's play to trace ancestors.

South Africans are interested in genealogy. Actually, it fascinates them. For instance, I am an 11th-generation Afrikaner, with a fore-

father who arrived at the Cape in 1662 from Oldenburg, Germany. With the help of the South African Genealogical Society I have traced altogether eight European-born ancestors. The last arrival was a grandfather who came from Poland in 1886 aged 11.

MARILYN TOMLINS.  
Paris.

### Doing Business

Re the fine article by Bill Brock "No Wonder No Exports" (IHT, May 29): A few years ago, when the subject of bribery was first being splashed across the headlines of the world, a member of the British Parliament stood and asked, "What about this matter of Middle East bribery now being reported?" Another member rose and answered, "In that part of the world, that is the way they conduct business." Both men resumed their seats and the session went on to other matters.

Are we U.S. do-gooders naive, ignorant or just much too halfrican-thou?

RISA SUSSMAN.  
Paris.

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# Walesa Exhorts Poles to Give Government a Chance to Rule

**From Agency Dispatches**  
**WARSAW** — Solidarity trade union leader Lech Walesa, steering his mass movement on a moderate path as Poland enters a new phase of crisis, has again called on the country to give the Communist government a chance to rule.

Mr. Walesa issued the appeal Saturday night in one of his longest television appearances, made during the period of preparation for next month's emergency party congress.

He reiterated a message he had emphasized during a recent country-wide tour, saying that his union sought peaceful coexistence with a strong government.

"The government must rule and it must be strong... Let's give the government a chance to rule," the union leader said.

Mr. Walesa's remarks appeared also to be a criticism of the government, which nearly a year ago workers launched a protest strike movement has still not come up

with a definitive economic recovery program.

Popular disaffection with the situation was reflected in a poll, carried out last month by the official Public Opinion Research Center, whose results were reported in the latest issue of the weekly *Kultura*.

Poles placed their confidence first in the Roman Catholic Church and secondly in Solidarity, according to the report. The army, parliament, council of state and government came next in order. The Communist Party was last on the list.

Mr. Walesa's message of moderation appears to have had an effect. In recent weeks there has been a relative absence of friction between the authorities and Solidarity even though East bloc critics continue to argue that Solidarity extremists are bent on destroying Communist power.

Poland's Communist leaders have agreed in public with this view but have so far done nothing

to suggest that a crackdown is in the offing. Their attention has been focused mainly on the build-up to the party congress opening July 14.

In another development, the PAP news agency reported that Polish President Henryk Jablonski was elected a delegate to the congress. The head of state was elected at a party meeting in Tarnow, despite his earlier statement that he would not stand for election.

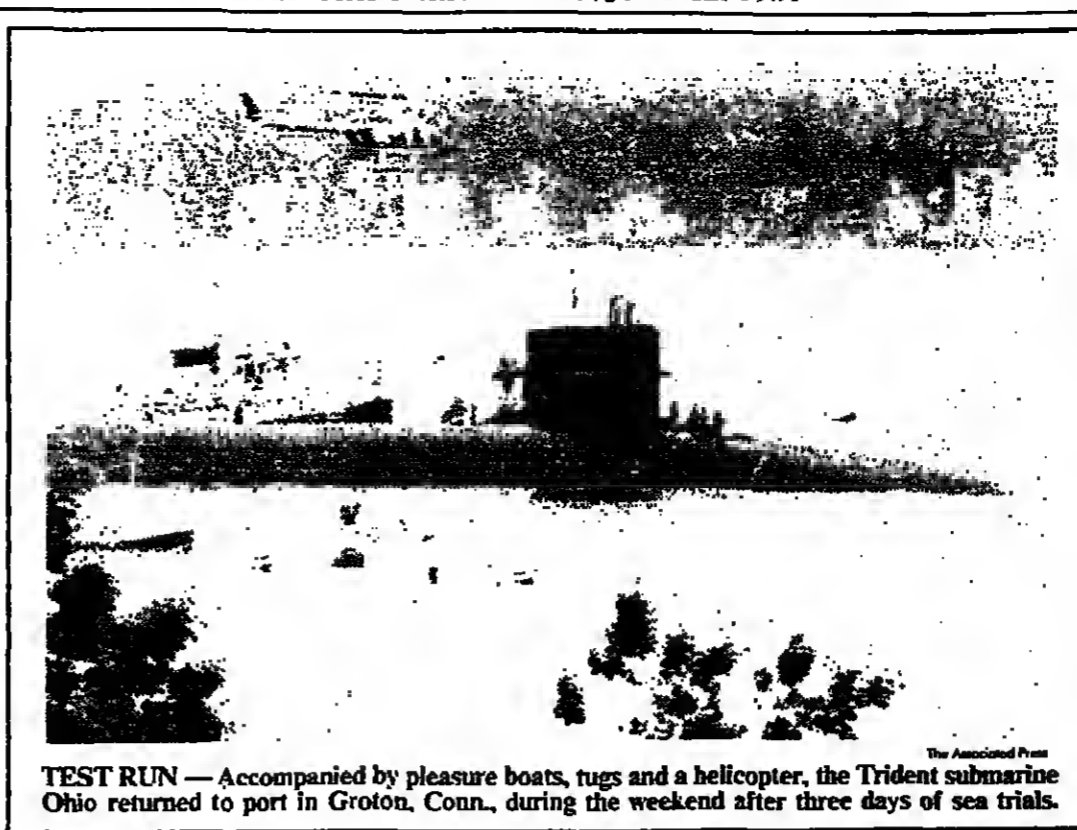
PAP also withdrew a report that hard-line Politburo member Tadeusz Grabski had been elected a delegate Sunday at a party meeting in Kalisz, central Poland. The agency said Mr. Grabski had not stood for election and eliminated his original story.

During a stormy Central Committee meeting June 10, Mr. Grabski and other hard-line members of the leadership challenged party leader Stanislaw Kania, who was elected a delegate to the congress at a meeting in Krakow last week.

Mr. Grabski said at the Central Committee meeting that the present membership of the 11-man Politburo under Mr. Kania's leadership was unable to guide Poland out of its crisis, an apparent indirect call for his removal.

But the committee rejected a motion that it put the Politburo to a vote of confidence and there were no personnel changes at the meeting.

Afterward, Mr. Kania reiterated Soviet concerns over the elections of inexperienced party members as delegates to the July congress and urged party members to send the current leadership there for the delegates' assessment.



**TEST RUN** — Accompanied by pleasure boats, tugs and a helicopter, the Trident submarine Ohio returned to port in Grotton, Conn., during the weekend after three days of sea trials.

# Soviet Aide Links Poland, Western Plans on Missiles

**New York Times Service**  
**MOSCOW** — A leading spokesman for the Soviet Communist Party has linked developments in Poland and plans by the West to deploy new medium-range nuclear weapons in Europe as attempts to undermine the Warsaw Pact.

In a speech Saturday on Soviet television, Leonid M. Zamyatin, chief of the International Information Department of the party's Central Committee, specifically accused West Germany of designs in this direction.

Mr. Zamyatin gave an often emotional version of events in Poland that was based on claims that extremists in the Solidarity independent trade union might try to alter the Polish Communist Party or even divide it at the party congress next month. He then declared that only the Warsaw Pact offered safeguards for Poland's frontiers and security.

"It is not accidental, therefore," he continued, "that the imperialist forces are now striving not only to saturate Western Europe with medium-range missiles, but also to take advantage of developments in Poland in order to weaken the Socialist community, to try to undermine somehow from within, through Poland, the defense potential of the Warsaw Pact countries."

"Such is the policy of the imperialist powers. And certain forces, including those in the Federal Republic of Germany, are now trying to profit by this."

Mr. Zamyatin showed viewers a West German map that showed portions of Poland that were part

of Germany before World War II. This, he suggested, demonstrated German designs on Poland.

His comments were regarded in Moscow as a contribution to the continuing Soviet pressure on Poland's Communists to resist those who are seeking extensive democratization of the party at the congress, which is scheduled to begin July 14.

However, his allegation of Western efforts to exploit the events in Poland were among the most detailed claims of a security threat to the Soviet bloc yet made by a Soviet spokesman.

Mr. Zamyatin linked his references to West Germany to the 40th anniversary, on Monday, of Nazi Germany's invasion of the Soviet Union, and he proceeded to criticize Bonn's military policies.

Citing various neo-Nazi organizations and leaflets that he said were affixed in West Germany, he declared that "the spirit of revanchism and neo-Nazism is alive in the Federal Republic of Germany."

From this statement, Mr. Zamyatin proceeded to a detailed catalogue of West Germany's military capability, a juxtaposition apparently intended to connect neo-Nazism with West German military strength.

Although Mr. Zamyatin left unclear how he felt West Germany intended to exploit the Polish situation, he made a point of recalling that Nazi Germany began its invasion of the Soviet Union from Polish soil.

# Arab Bank Director Is Cool to OAU Call For Afro-Arab Summit on Aid, Oil Issues

**By Pranay B. Gupta**  
**New York Times Service**  
**NAIROBI** — Foreign ministers from the 50 members of the Organization of African Unity overwhelmingly approved a resolution over the weekend calling for a summit meeting of Arabs and black Africans to sort out their grievances.

Hours later, Chedli Ayari, head of the Arab Bank for Economic Development in Africa, said he saw no immediate prospect for such a meeting.

Instead, Mr. Ayari said Saturday, efforts are being made to revive the so-called Standing Commission consisting of members from the OAU and the Arab League to discuss Arab-African issues.

Black African leaders are voicing increasing concern that relations between their nations and the Arab world have deteriorated to a point where major political steps need to be taken to avert a crisis.

**Disappointment**  
 At the heart of this crisis is a belief by many black African nations, particularly poorer ones such as Uganda, Ghana and Zambia, that the oil-producing countries of the Arab world have long promised major infusions of financial aid as well as significant concessions in oil prices, but that these Arab nations have not come through adequately in meeting their pledges.

The Standing Commission has long been moribund. Moves to set up a working session have been stymied by the fact that Egypt is a member of the commission, and many Arab nations, opposed to the Egyptian-Israeli peace treaty, have refused to attend any meeting with Egyptian representatives.

Peter Oni, assistant secretary-general of the African organization, insisted Saturday that since Egypt was a legitimate member, it must be allowed to participate in the working sessions of the Standing Commission.

Egypt was suspended from the Arab League in 1979 after it signed the peace treaty, but it is apparent that President Anwar Sadat retains considerable popularity

# U.S. Audit Shows Misuse Of Funds for Sub-Sahara

**By Juan de Onis**  
**New York Times Service**  
**WASHINGTON** — An audit of U.S. aid programs in sub-Saharan Africa that reported waste or misuse "potentially in the millions of dollars" has raised concern in congressional committees that are considering the administration's \$6-billion foreign-aid request.

The Agency for International Development, which administers foreign aid, has asked for \$107 million in fiscal 1982, beginning in October, as the U.S. share of an international development program for the region. The program provides about \$1 billion a year to Chad, Niger, Upper Volta, Mali, Gambia, Mauritania, Senegal and the Cape Verde Islands. The area is the poorest in Africa with an average per capita annual income of \$200 among its 30 million people.

The development program was begun in 1973 when a drought caused the deaths of tens of thousands of people in central and western Africa, decimated cattle herds and created a refugee population of millions.

In the first major audit of the agency's participation in the program in four years, conducted by the agency's inspector general's office, 13 projects were reviewed. Accounting of funds was seriously inadequate, the review disclosed, and the region's ability to absorb foreign aid was questioned.

**Major Criticisms**  
 The auditors reported, for example, that they could not find \$2.6 million in local currency allotted by the agency to a grain price-support project in Upper Volta. They reported that \$13 million had been spent on an unsuccessful livestock project in Mali. And the auditors said a \$4.6-million cereal production project in Senegal, for which the agency had requested an additional \$7.7 million, had not raised grain output.

In two major criticisms, the inspector general's report said local officials lacked adequate financial control to account for the spending of agency funds and that assistance levels were unrealistic because pledged funds exceeded the ability of recipient governments to manage and support projects.

The report said, "There are serious shortcomings in the local entities' financial practices which indicate the cost in terms of waste and misuse of AID and other donor funds is potentially in the millions of dollars." It said that only half of the 600 projects being considered or under way should be supported.

Herbert L. Beckington, who has been the agency's inspector general since 1977, said the reports had been routinely circulated to congressional committees since they began to appear early this year.

# Arab Bank Director Is Cool to OAU Call For Afro-Arab Summit on Aid, Oil Issues

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Egypt was suspended from the Arab League in 1979 after it signed the peace treaty, but it is apparent that President Anwar Sadat retains considerable popularity

among African leaders. Many of these view Egypt as presenting a counter to the perceived adventurism of Libya's Col. Moamer Qaddafi.

Moreover, Egypt has long had an active foreign policy in black Africa, and it has sent teachers, technicians, physicians and military advisers to several black African countries.

Several leaders of black African nations attending the OAU summit session said Arab nations have not sufficiently helped poor black African countries that severed their relations with Israel at the urging of the Arab world.

Uganda and Kenya, for example, used to have major programs of technical assistance set up by the Israelis, particularly in farming and engineering. The black African leaders complain that although they provide the Arab world with often-vocal support on the Palestine issue, by pursuing high-price policies the oil-producing Arabs have hurt the economies of the poor Africans.

African leaders here assert that the volume of aid given by Arabs to black Africa — about \$1 billion a year, according to Mr. Ayari — is simply not enough to overcome the fuel bills that they are increasingly being required to pay.

Mr. Ayari defended Arab aid to Africa by saying that so far such aid represented 12 percent of the total Arab assistance to the Third World.

# Italians Charge 22 In Masonic Scandal

**Rome** — More than 20 leaders of the secret Propaganda Due Masonic lodge, the revelation of which brought down the Italian government last month, have been indicted on charges of political conspiracy and acts against the state.

Deputy chief prosecutor Domenico Sica, who is leading the inquiry into the P-2 lodge in Rome, described it Saturday as a criminal association whose controllers had "maliciously manipulated facts and events... with the aim of carrying out their planned illegal program."

He issued summonses against 22 members of the lodge, including its grand master, Licio Gelli, who fled earlier charges of political espionage and is believed to be in South America, and four former secret service officers.

Among them were Mr. Gelli's right-hand man, Col. Antonio Viezzer, and Adm. Mario Casardi, who was chief of the secret service until its reorganization after a scandal six years ago.

All those named, except Adm. Casardi, are accused of a political conspiracy in which Mr. Gelli was named as the ringleader. They were charged under a section of the penal code dealing with attacks on the constitution and armed insurrection against the state.

The indictment also says that they and others so far unidentified planned further "crimes against public and judicial administration, public confidence, personal rights, property, financial regulations and arms laws."

To these ends, said the prosecutor, P-2 "took on a peculiar character of secrecy and rigid compartmentalization." The lodge's activities have been linked by investigators to financial scandals, including the fake kidnapping of fugitive financier Michele Sindona. Magistrates said that Mr. Gelli "had constructed a very real state within the state."

Mr. Sica said many of P-2's members were unaware that it had been suspended from Italian Freemasonry several years ago. He said many more people named on the published membership list were never part of the P-2 but had been put on the list by Mr. Gelli and his associates without their knowledge.

Mr. Sica said P-2's leaders had used deception, blackmail and

menaces "to persuade others to do or tolerate illegal acts or to omit those that could have harmed their criminal association." The indictment repeated the charges of political espionage that Mr. Gelli and Col. Viezzer already face.

Through the secret service chief the conspirators obtained "information and documents which in the internal and international interests of the state should have remained secret," the indictment said. Some of these are known to have concerned Italian negotiations to ensure its oil supplies.

A government committee ruled last week that P-2 was an illegal society, and Premier-designate Giovanni Spadolini said he intended to dissolve it.

Paraguayan police disclosed Friday night that Italy has asked them to arrest Mr. Gelli if he appears in their country. Police sources said that it was not known whether Mr. Gelli was actually in Paraguay, but that he might have taken refuge with Umberto Ortolani, an Italian who owns property in western Paraguay.

# Linkup in Orbit of 2 Soviet Satellites Seen as Step Toward a Space Complex

**By Robert C. Toth**  
**Los Angeles Times Service**  
**WASHINGTON** — The linkup in orbit last week of two of the Soviet Union's largest satellites that are capable of carrying men is described by U.S. military sources as the precursor of a large Soviet space complex that can be expected to have military uses.

Besides showing the continued fast pace of Soviet space efforts, the joining of the Cosmos-1267 and Salyut-6 stations on Friday was viewed by the sources as an example of Soviet hypocrisy in contending that the U.S. space shuttle program had started a "new arms race in space."

"At least 75 percent of Soviet satellites are totally dedicated to military missions and another 15 percent serve dual military and civil purposes," an administration official said.

**Intelligence Community**  
 The U.S. intelligence community had predicted several months ago that the Soviet Union would soon launch a new military space station whose cosmonauts would conduct photo and visual reconnaissance, early warning duties

and tests of various military-related sensors.

The two-module station now in orbit, which weighs an estimated 32 to 36 tons, will apparently not be visited by cosmonauts, although U.S. sources have not ruled out that possibility.

The Soviet press agency Tass announced that the docking mission was "designed to test systems and elements of the design of future spacecraft and methods of assembly of orbital complexes of a big size and weight."

Salyut-6 is a 21-ton station that was launched in 1977 and has been host to a score of cosmonauts.

**Vehicle Refurbished**  
 When the last cosmonauts departed Salyut-6 on May 27, Moscow announced that the vehicle would not again be occupied by cosmonauts. U.S. sources are somewhat skeptical on that point, however. Although some structural buckling has occurred in Salyut-6, they said, the vehicle has also been refurbished.

Cosmos-1267, the second part of the new station, was launched April 25 with the same large rocket that has carried Salyut-sized craft. The Soviet Union gave no details of its size, but it was assumed to be the same weight as Salyut — about 21 tons — when launched.

However, Cosmos-1267 ejected a moderate-sized section that parachuted back to earth on May 24. Telemetry from the satellite was similar (in frequency, pattern and tone) to that used by Soviet manned spacecraft, according to Charles Sheldon, the Congressional Research Service's expert on Soviet space activities.

The ejected capsule, presumably capable of carrying a manned crew, probably weighed six to 10 tons, Mr. Sheldon speculated. The

# Grenada Closes All Newspapers

**ST. GEORGES, Grenada** — The People's Revolutionary Government of Grenada has passed legislation banning the printing of newspapers for at least a year, Prime Minister Maurice Bishop announced.

He told a rally Saturday that the ban would continue until his government formulates a new press policy. The ban was disclosed after the closure Friday of the new independent newspaper, *The Grenadian Voice*.

The 26 owners of the *Voice* also were accused of issuing five counter-revolutionary pamphlets during the past six months.

Major criticisms of the auditors reported, for example, that they could not find \$2.6 million in local currency allotted by the agency to a grain price-support project in Upper Volta. They reported that \$13 million had been spent on an unsuccessful livestock project in Mali. And the auditors said a \$4.6-million cereal production project in Senegal, for which the agency had requested an additional \$7.7 million, had not raised grain output.

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Herbert L. Beckington, who has been the agency's inspector general since 1977, said the reports had been routinely circulated to congressional committees since they began to appear early this year.

# Pamela Hansford Johnson, English Writer, Is Dead

**LONDON** — Pamela Hansford Johnson, 69, English writer and widow of C.P. Snow, the novelist, playwright and scientist to whom she was married for 21 years, died last Thursday. Her death came at

# OBITUARIES

most a year after that of Lord Snow, who died July 1, 1980, at age 74.

Critics generally found her novels perceptive and often more literary than her husband's, although her work never achieved the popularity of his. Anthony Burgess, the novelist and critic, once described Miss Johnson's novels as "witty, satirical and deftly malicious."

Her novels included "An Impossible Marriage," "The Sea and the Wedding," "The Unspeakable Skipton," "The Good Husband," "The Honors Board" and "Night and Silence. Who Is Here?" Her study on the American novelist Thomas Wolfe was published in the United States as "Hungry Gulliver."

**George Erwin**  
**TEANECK, New Jersey (UPI)** — Jazz musician, George "Pee Wee" Erwin, 68, who played trumpet with both the Benny Goodman and Tommy Dorsey bands, died Saturday.

**Lotte Reiniger**  
**LONDON** — Lotte Reiniger, 82, the German filmmaker credited with making the world's first full-length cartoon feature, "The Adventures of Prince Achmed," in 1926, died Friday in Dettenhausen, West Germany, her biographer, Paul Gelver, said Saturday.

# Death Toll Now at 42 In Spanish Epidemic

**MADRID** — The death toll from a mysterious epidemic in Spain has reached 42 following the deaths Friday of five persons, three of them in Madrid, the Health Ministry has announced.

The ministry said 8,254 persons had been hospitalized for treatment since May 1, and that about 2,000 of them remained hospitalized.

# Italy Tense As 2 Days of Votes Begin

**Rome** — An estimated 9 million Italians began two days of voting Sunday in local elections that could influence the makeup of Italy's new national government.

The balloting, involving about one quarter of the electorate, was taking place in the tense atmosphere of a renewed terrorist offensive by the leftist Red Brigades group.

Results of the balloting, to be announced after the polls close Monday afternoon, will determine the makeup of a new regional assembly in Sicily, two provincial councils and 193 municipal councils.

The voting came as Premier-designate Giovanni Spadolini, head of the small Republican Party, was in the final stages of forming a new Cabinet that would be the first national government not headed by the Christian Democratic Party since 1945.

Mr. Spadolini has said he hopes to complete formation of the government by the end of the week. It is to be a five-party coalition similar in makeup to the outgoing government of Christian Democrat Arnaldo Forlani, whose coalition collapsed May 26 over a scandal involving a secret Masonic lodge.

Politicians have said results of the voting could help Mr. Spadolini decide on the allocation of Cabinet posts, especially if the Christian Democrats show sharp losses in the balloting.

Mr. Spadolini has pledged that his government would root out corruption from the national administration, institute new economic policies to control inflation and continue the attempt to stamp out terrorism.

That issue became prominent in the campaign Friday when the Red Brigades carried out four shootings in Rome. Six to eight Red Brigades gunmen ambushed and killed a Rome deputy police chief, Sebastiano Vinci, 44. In the other attacks, a lawyer and publishing company employee were wounded and a police car was fired on at a road-block.

# Russian Radios Seized in Dacca

**Dacca, Bangladesh** — Customs officers at Dacca's international airport have seized a consignment of high-frequency transmitters and other radio equipment that the Soviet Embassy was trying to import into Bangladesh, airport security sources said Sunday.

They said a special Aeroflot cargo plane landed last Tuesday night carrying the goods along with 10 tons of building materials in crates for the embassy. Security men became suspicious when embassy personnel tried to take the goods out of the airport without getting permission from airport authorities. Airport staff scuffled with the embassy personnel and, with the help of police, overpowered them, the sources said.

Soviet Embassy officials later told airport authorities they had no knowledge of how the equipment came in to the Dacca.

# Argentina Said To Sign Deal for Austrian Tanks

**BUENOS AIRES** — Argentina has signed a \$180-million contract in Paris with an Austrian arms firm to buy 57 tanks, according to sources close to the agreement.

In the meantime, the Socialist government of Austrian Chancellor Bruno Kreisky announced Friday that it has approved the sale by the Steyr-Daimler-Puch Co., apparently closing what has become an issue both in Argentina and in Austria.

Government spokesmen in Vienna had denied reports of an imminent sale last week, but some labor leaders, parliamentarians and youth groups have said they seek to block it because of the human rights record of the Argentine military regime. The 57 tanks, light vehicles known as tank destroyers, had originally been made as part of an order for Chile, but that order was canceled last year after similar opposition.

The Argentine government has been silent on the deal. The tanks are destined for the southern part of the country and are part of a two-year-old military buildup in continuing tensions over a boundary dispute with Chile in the Beagle Channel, at the southern tip of the continent.

The boundary dispute has been under the mediation of Pope John Paul II since the two countries almost went to war in late 1978.

# Ariane Satellites In Proper Orbits

**PARIS** — The Indian and European satellites launched by the European Ariane launcher are in good condition and in their planned orbits, the European Space Agency said during the weekend.

They were the first high level satellites launched independently of the United States and the Soviet Union. The launch Friday from French Guiana was the third test flight of the Ariane rocket and the first to put up satellites.

The Indian experimental communications satellite, called Apple, is being controlled jointly by an ESA center in Darmstadt, West Germany, and the Indian center at Shar. The other satellite, for weather monitoring, is also being controlled by the West German center.

# Henri Gaston Busignies

**PARIS (NYT)** — Henri Gaston Busignies, 76, whose more than 140 inventions in aerial navigation helped guide aircraft the world over, died Saturday of a heart at-

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International Bond Prices - Week of June 18

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Table with columns: Amt, Security, % Mat, Price, Yield, etc. Lists various international bonds with their respective terms and prices.

STRAIGHT BONDS All Currencies Except DM

Table with columns: Amt, Security, % Mat, Price, Yield, etc. Lists straight bonds in various currencies, excluding Deutsche Marks.

Table with columns: Amt, Security, % Mat, Price, Yield, etc. Lists international bonds with high yields, categorized by life expectancy.

Table with columns: Amt, Security, % Mat, Price, Yield, etc. Lists international bonds with high yields, categorized by life expectancy.

DM STRAIGHT BONDS

Table with columns: Amt, Security, % Mat, Price, Yield, etc. Lists straight bonds in Deutsche Marks.

Advertisement for Shell Oil Company featuring a large graphic of a shell and text: '\$500,000,000 Shell Oil Company \$200,000,000 13% Notes Due 1991 \$300,000,000 14 1/4% Debentures Due 2011'.

Advertisement for WestLB featuring a large graphic of a WestLB logo and text: 'WestLB Eurobonds · DM Bonds · Schuldscheine for dealing prices call'.

## Visa Weaves a Web of Financial Services

**New York Times Service**  
**NEW YORK** — In the beginning was the committee. At its head was a banker, and although no college diploma graced his office wall, he had something better: A grasp of the wonders contained in a silver of plastic.

Credit. Traveler's checks. Debit cards. Travel and expense. Money market funds. Any exchange of value, no matter what. And as fast as you can say electronic funds transfer, Dee Ward Hock, now chief executive of Visa International, is off concocting some new use for the blue and white card.

"It started out as a little credit card, which was the stupidest marketing mistake in history," said Mr. Hock. "Visa is a device for the exchange of value." In short, it's the next thing to money.

Now Mr. Hock thinks he is on to something even bigger. Mr. Hock's constituency, the 14,000 banks that belong to Visa, are sorely pressed by regulations and competitors such as money market funds that offer higher yields. At the same time, Americans are knee-deep in credit cards, and banks and card companies are looking for new ways to attract increasingly sophisticated consumers.

The challenge for the banks is how to thrive in this competitive market, and Mr. Hock thinks he knows. His plan is to develop a premium card — which will offer its holder no set spending limit and revolving credit and will compete with the American Express gold card — and a

money market fund for member banks, and to push expansion overseas.

"Banking is like a walled city," said Mr. Hock. "To some degree, the regulations are largely for their own protection, but the regulations can lock you in as well as lock others out."

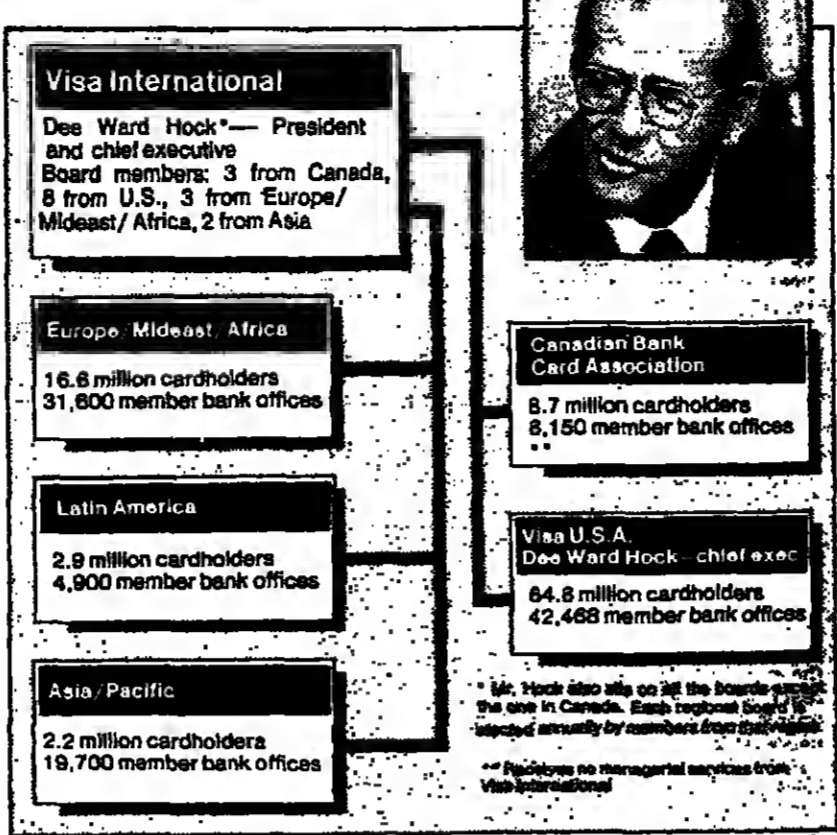
Unlike American Express, Visa and its other competitor, Interbank's Mastercard, do not issue cards directly, but through member banks. Many of the banks that control Visa consider it a service organization. Visa International makes little money and offers Mr. Hock no equity. Physically it consists of little more than three computer centers (with two more on the way), thousands of leased phone lines, and a few offices.

But Mr. Hock's vision is considerably more cosmic: "It's the first truly transnational corporation. It's a worldwide consumer payment system, including, but not limited to, credit cards."

From humble beginnings in 1968 (it name was changed from "BankAmericard" in 1974), Visa now has more card holders at home and abroad than any of its competitors — 30.4 million Visa holders abroad — and 64.4 million domestically. It has developed credit card services and moved into debit cards — which give access to checking accounts — and traveler's checks.

Most of Mr. Hock's recent programs are aimed at markets that have been held

(Continued on Page 11, Col. 5)



Visa International's Dee Ward Hock surveys a growing empire.

## U.S. Corporations Scrambling To Make the Most of Oil Glut

By Robert D. Hershey Jr.  
*New York Times Service*

**WASHINGTON** — Oil! Oil! What once seemed as unlikely as \$850 an ounce gold or an 18 percent Treasury bill is here. Suddenly, oil is so plentiful that prices are falling by amounts that impress even big-time corporate decision makers.

U.S. businesses, which for a decade have seen nothing but oil taking an ever larger bite of their operating dollar, are calculating what they can do to capitalize on the oil price drop. While most such adjustments are quick and modest, some companies are puzzling over how to factor the newly favorable oil situation into longer range plans as well.

To be sure, the dominant mood remains one of great caution. After all, world energy consumers have watched for years as the price of oil raced from next to nothing to more than \$40 a barrel.

**Oil or Natural Gas?**

"The surplus could be with us a while," said James E. McNabb, an economist for Conoco, a major oil, natural gas and coal producer. "But it should be viewed as a temporary phenomenon that could change overnight," he added. "In the world of corporate planning we're learning not to overreact to immediate situations."

At company after company, however, there is evidence that the glut and price break are influencing planning.

Take the case of John B. Walters, manager of the Firestone Tire & Rubber's largest plant. This week in Des Moines, he will sit down to study fresh Department of Energy figures dictating what he must pay for natural gas. He will probably conclude that the plant should switch in July to burning oil instead. The heavy No. 6 oil his plant is also equipped to use has tumbled in price recently, wiping out what was once a large advantage for gas.

"We have to look at the economics of it," he added. "If oil is cheaper, we'll use it — and it certainly looks that way."

For the first time in many years U.S. corporate strategists do not have to automatically assume that oil prices will be rising by at least the inflation rate and probably by much more. Already some serious students of energy are arguing that no price increase exceeding the inflation rate is likely during the next two years.

(The main beneficiary of falling prices so far has been the United States since oil is priced in dollars and the dollar has been very strong against most other currencies. Thus, according to Jacques R. Maroni, director of energy planning for Ford Motor, Western Europeans think prices are still rising and therefore buying less gasoline.)

But though the profitability of many fuel-sensitive industries — airlines, utilities, metals and paper — is significantly enhanced by the current decline in oil prices, interviews with business planners show them to be profoundly skeptical that a new era has arrived.

The reluctance of corporate planners to embrace the notion of stable oil prices indefinitely owes much to the severity of the jolts of the 1970s and the fact that while the narrow economics of oil may have changed for the better, the politics of the situation has not. The Middle East, dominant supplier to Western Europe and a major source for the United States, remains as unstable as ever.

"The biggest effect of the oil surplus on us so far is that we're guessing this element of costs will go up at a lower rate than we were previously forecasting," said David K. Barnes, a senior vice president of E.I. du Pont de Nemours & Co. He doubts that companies can yet safely shift their long-range view of energy prices and supplies. "It's just a moderation of the cost — and not an opportunity for strategic change."

Du Pont, which relies on oil and natural gas as a feedstock in 70 percent of its products, will continue to push its program to use more coal as a plant power source.

**Changed Perception**

According to Mr. Maroni, the facts about oil have not changed, simply the perception of them.

"There was no shortage, there is no glut," he said. Supplies, in other words, have moved from below ground in the oil fields to oil-company storage tanks.

"What we now have is a gradual settling back down [of prices] so oil does not lose its markets," he continued. During the next few years "you're going to find a generously supplied oil market at a price which will not rise in real terms." In fact, because of the availability of alternative fuels he said there is "no reason" why the price of gasoline should ever rise above \$2 a gallon after adjusting for inflation.

The Department of Energy, meanwhile, has made no change in the basic assumption it has used for the past two years that oil prices will show annual real price increases of about 3 percent during the 1980s and 1990s.

**'Natural Reaction'**

But, according to Roger F. Naill, associate director for energy analysis, this may now not apply over the next two years or so. What's happening now, he said, "seems a natural reaction to the big price spurt we had in 1979. One should have expected to see a glut."

Company officials point out that it takes time for the declines in OPEC and other oil prices to flow through to individual businesses, many of which also use large amounts of increasingly expensive natural gas.

Unlike oil, which in January was freed of United States price controls, a move that itself may have contributed to the current price decline by inducing more conservation, natural gas is to rise steadily by statute until at least 1985.

Although U.S. companies are not rushing to revise long-term plans, some are being forced to react quickly to lower oil prices right now.

**Gas Industries Worries**

Perhaps the most threatened are natural gas pipelines, which are already losing business from such people as Mr. Walters and are in danger of losing lots more.

"The oil jobbers have been able to come in and undercut the price," complained Kenneth W. Thompson, a vice president of the Interstate Natural Gas Association, a trade group. One constituent, he said, has lost seven industrial customers in recent weeks after they found cheap residual oil "dumped" by refiners to fire their plants instead.

"When they've got a glut of No. 6 oil they have to get rid of it," Mr. Thompson said. "The people they market it to are our marginal users. This is something we are very concerned about in terms of the future of our industry."

Some planners say that synthetic fuels projects may also prove to be casualties of the current oil market.

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## Apple Computer: Bruised But Rosy Future Remains

By James L. Row Jr.  
*Washington Post Service*

**NEW YORK** — For a while, it seemed, the shine was gone from the Apple. But Apple Computer Inc., one of the darlings of Wall Street late last year, seems to have left behind the manufacturing problems it faced with its new Apple III personal computer.

The four-year-old personal computer maker, which claims its corporate mission is to bring the benefits of computer technology to individuals, has realigned its top management and is poised for a two-year period of explosive growth.

**Rosy Prospects Seen**

Apple "went public" last December, selling 4.6 million shares of itself at \$22 a share at a time when stocks of small technology companies (such as the genetic engineering firm Genentech) were being snapped up by investors.

The price soared to \$36 before the Apple III problems became known and the price fell back to the \$22 range by March.

Since then investors have bid the stock back to the \$32 range even though an additional 2.6 million shares were released to the public last month at \$31.25 a share.

Apple's prospects, according to analyst Don F. Sinsabaugh of Gruntal & Co., are rosy. He said company sales should skyrocket from \$118 million last year (Apple's accounting year ends on Sept. 30) to \$380 million this year and \$750 million next year. In 1977, the year Apple was founded in California by two college dropouts, Stephen G.

Wozniak and Steven P. Jobs, the company had sales of less than \$2 million.

Such spectacular growth often has been the downfall of companies — and may yet be for Apple — but analysts say that so far the company has managed its growth well. Apple has cash in the bank (\$76 million) and the ability to sell more stock (the company realized no income from last month's sale; it was an offering of stock owned by employees and early investors).

As well, Apple is a computer assembler. As a result, even during periods of rapid expansion, it has to invest little in manufacturing equipment and thus has no need to make expensive capital investments.

Furthermore, it can add capacity and workers in small increments, which it has been doing at a rapid pace. A year ago it had 500 employees. Today it has close to 1,700 according to company spokesman Fred Hoar. It has assembly plants in northern and southern California.

**Singapore Plant**

Last summer it opened a plant in a Dallas suburb and last October began making Apple II in Cork, Ireland, for the European market. Next month the company will open a facility in Singapore.

Apple shipped 79,000 computers last year, according to Mr. Sinsabaugh. This year, he estimates, Apple will sell 200,000 Apple IIIs and 15,000 to 20,000 of its more powerful, no-longer-problem-plagued Apple IIIs. Next year, he said, the company should sell about 220,000 Apple IIIs and 110,000 Apple IIIs.

The Apple III is a larger, more versatile version of the Apple II, and its introduction

was long-awaited by computer users and investors alike. But the earliest versions shipped late last year were full of minor, but annoying technical problems.

The cables to the keyboard were too short. Some of the little circuit chips did not fit securely in their sockets. About 20 percent of the machines had their chips fall out during shipment and would not work. About 1,000 of the new machines were shipped.

When the problems became apparent, the company stopped shipping for several months, but resumed in April. So far, Mr. Hoar said, about 5,000 Apple IIIs have been sent to dealers in the United States.

**Software Delays**

Because of the delays in the Apple III — the computer is about six months behind schedule — the software that permits the computer to do specialized tasks, from analyzing stock portfolios to keeping track of inventories, is also waiting to be developed.

The major software packages — such as those that permit the computer to do word processing or text editing — have been developed by Apple itself. Mr. Hoar said the initial Apple IIIs are being shipped with more software than the early Apple IIs. But the smaller companies that make special programming packages compatible with Apple III (or any other computer) have been held up.

"The problems with Apple III probably stimulated demand for the Apple II," said an analyst. The Apple II has been around for about four years, and there is a plethora of software available.

Even though the Apple III has three times

the memory and twice the column widths of the Apple II, many purchasers will stick with the smaller version because of the availability of software. Others will stick with Apple II because the typical purchase price is about \$2,500 compared with \$4,500 for an Apple III.

Apple and Radio Shack (a subsidiary of the Tandy Corp.) are the two major factors in the personal computer market, according to Mr. Sinsabaugh. Apple has about 20 percent of the market and Radio Shack between 20 and 25 percent. Commodore International is a close third behind Apple. The rest is divided among a number of smaller companies such as Vector Graphics, Cromemco Inc. and North Star Computers.

**Giants Eye Field**

Xerox Corp. has just announced a line of personal computers, and International Business Machines, the computer giant, is expected to come out with a personal computer soon. Apple is counting on Xerox and IBM eating into the market share owned by smaller companies, rather than into its share.

"Apple and Tandy are in good stead," Sinsabaugh said. "There's a population of machines already out there, and that's important. Furthermore, there's a diverse amount of software. The applications run to everyone's job description."

Personal computer makers are counting on a demand that continues to grow sharply among the millions of small businesses and office workers that process information in one way or another. Despite the tag "personal computer," few but the wealthiest have an Apple to use at home.

## Calm Prevails in Face of Leap in U.S. Rates

By Carl Gewirtz  
*International Herald Tribune*

**PARIS** — An unexpected spurt in overnight money costs in New York last week to as high as 30 percent sent a shudder through U.S. credit markets, but the Eurobond market — to the amazement of traders and underwriters — never lost its composure.

By late Friday, even New York had regained its confidence as the cost of federal funds dropped to 18 1/2 percent and the Federal Reserve reported a very modest \$500-million rise in the M-1 measure of the money supply. Many analysts had feared that the midweek rise in the fed funds rate presaged a report of a massive increase in the money supply.

Despite this positive late-week news, there is still considerable uncertainty about whether short-term rates are poised to drop sharply, as many traders believe. For this week at least that remains unlikely with end-quarter "window dressing" expected to keep corporate demand for short-term funds quite high.

The pressure on the funds rate, reports Salomon Brothers economist Henry Kaufman, "is, to a greater extent, a reflection of the strong demand for money, especially in the banking system and in the credit markets, as well as the reduced provision of reserves by the Fed. The central bank is apparently taking little comfort from the contraction of key monetary aggregates during May."

Another cause to be suspicious about talk of an imminent break in interest rates is the sudden rush by

borrowers to issue bonds. A month ago, investment bankers were reporting a massive buildup of new issues that would be launched as soon as they could be sold with a coupon of 13 percent.

### EUROBONDS

In the meantime, a significant number of borrowers has decided not to wait. The disturbing question is why they come to market paying coupons of 14 to 15 percent instead of awaiting the "imminent" break in rates? Either they are so pressed for cash that they cannot wait or they do not believe bond rates will drop very far.

It might be argued that the World Bank, which is raising \$400 million in the Eurobond market, has too constant a need for funds to be absent for long from the bond market. But what about international Business Machines, which has stated a \$250-million issue in the New York market this week after having just sold \$100 million of three-year notes bearing 14 1/2 percent in this market? The implication of its making one of its rare appearances in the bond market now is that its financial officers do not believe all the talk about a drop in rates.

Investors, on the other hand, have decided that coupons of 14 to 15 percent are what they want. Bankers attribute the Eurobond market's good performance last week to the sharp rise in "retail" buying which cannot be turned on or off at the same speed as "institutional" clients. It was the pre-

ponderance of institutional investors in New York and their unanimous decision to sit back while the dust settled that accounted for the upset in that market last week, bankers say.

In Europe, bankers report that the Swiss banks are buying in force — a sure sign that individuals are once again back in the market. In addition, Mideast investors are very active.

While the World Bank issue is the largest single deal to hit the

market this year, the amount is less daunting than would seem (in fact, it is widely expected that the size of the issue will be increased to \$500 million) as more than a third of it has been placed with Arab investors. Saudi Arabia's Monetary Agency is reportedly taking 10 percent of the issue and other big chunks are being placed in Kuwait and the other Gulf states.

This is especially good news, as

(Continued on Page 9, Col. 1)

## Mexico Presses Borrowing Despite Fight With Banks

By Carl Gewirtz  
*International Herald Tribune*

**PARIS** — Undeterred by its continuing dispute with banks over terms on three recent Euroloans, Mexico is maintaining its pace as the biggest single borrower on the Eurobond market so far this year with an eight-year loan for the United Mexican States now moving into general syndication.

The UMS operation is starting life as a \$600-million transaction,

### SYNDICATED LOANS

but managers do not rule out the possibility of increasing it to \$750 million if the response from the general market warrants it. Leaders are offered the choice of pricing the loan over the London interbank offered rate — a split 3/4 points over Libor for the first four years rising to a half-point in the final four years — or over the prime rate, with that margin set at a split 3/4 - 3/8 percent.

Still to be negotiated is the alternate base measure to be used if lenders find that the prime rate does not adequately reflect their own cost of money. Negotiations

on that point may be particularly tricky as that is the issue holding up completion of three syndicated credits totaling almost \$2 billion.

The loans for Banobras, the state public works bank, as well as for Banco Nacional de Comercio Exterior and Banca Somex were enthusiastically received when launched last month not only because Mexico is considered a good credit but because any loan priced over the prime rate is certain of success.

The \$1-billion, six-year loan for Banobras was taken up by 113 banks, of which some 80 percent are located in the United States. The loan for BNCE, which started out at \$350 million, finished at \$550 million while Banca Somex was able to increase its loan to \$400 million.

Loans priced over the prime rate of U.S. banks are popular with lenders because the prime is a "retail" rate which includes a profit for the banks. Libor, by contrast, is a market rate which for many banks represents their own cost of borrowing money. The margin over Libor may be all some lenders earn on loans whereas the margin

(Continued on Page 9, Col. 1)

## CURRENCY RATES

Interbank exchange rates for June 19, 1981, excluding bank service charges.

	\$	£	D.M.	F.F.	S.W.	Y.P.	S.F.	S.C.
Amsterdam	2.67	5.22	11.245	6.58	2.364	14.76	17.87	35.24
Buenos Aires	39.49	76.78	16.35	1.83	2.384	89.38	114.80	31.82
Frankfurt	2.36	4.86	11.245	6.58	2.364	14.76	17.87	35.24
London (3)	1.776	3.55	11.245	6.58	2.364	14.76	17.87	35.24
Milan	1,797.5	2,332.50	4,964.5	288.26	423.8	1,425	1,825	1,825
New York	1	1.973	4.835	0.77	1.035	71.53	14,285	24.92
Paris	11.245	22.49	1	0.174	0.616	76.674	5,715	11.4
Zurich	2.076	4.152	10,710	N.A.	1.74	28.16	31,542	2,918
Y.P.	1.80	3.60	7.20	1.08	1.44	10.8	14.4	14.4

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May 1981

International Bond Prices - Week of June 18

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Table of International Bond Prices. Columns include AmI Security, % Mat, Mktg Price, Yield, and various bond details. Includes sub-sections for (Continued from Page 6) and NEW ISSUES.

CONVERTIBLE BONDS

Table of Convertible Bonds. Columns include AmI Security, Mktg Price, Yield, and various convertible bond details.

These Notes having been sold, this announcement appears as a matter of record only.



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Table of participating banks and financial institutions. Columns list bank names and their locations, such as Amro International Limited, Christiania Bank og Kreditkasse, etc.

All of these securities having been sold, this announcement appears as a matter of record only.

Table of Highest Current Yields. Columns include security details, yield percentages, and conversion premiums.

Explanation of Symbols. Table defining abbreviations for currency units and bank types.

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China Big Buyer of U.S. Crops

PEKING — China has quietly become the United States' fourth-largest customer of food and other agricultural commodities...

Conoco Report of Merger Talks Ignites Intensive Speculation

By Steve Lohr
NEW YORK — Conoco, the ninth-largest U.S. oil company, has disclosed that it rejected a proposal by an unnamed "major foreign corporation" to buy about a quarter of its stock for as much as \$2 billion.

Specifically, the Conoco announcement said that a subsidiary of a major foreign corporation had proposed to either "purchase from Conoco directly 15.9 million of its common shares at \$75 a share and purchase an additional 9.6 million of Conoco's stock in the open market or purchase from Conoco directly 28.6 million shares at \$70 a share."

Calm Prevails in Face of Sharp Climb in U.S. Rates

(Continued from Page 7)
ensures that the issue will be priced realistically in light of existing conditions. Bankers report that Mideast investors were assured of a return that would equal 75 basis points (three-quarters of a percentage point) over comparably dated U.S. Treasury paper.

over the mean of the six-month bid-offer rate. A minimum coupon of 3/4 percent is guaranteed. Southern California Edison sold \$50 million of seven-year notes bearing a coupon of 14 1/2 percent.

Apache International
The \$25-million convertible for Apache International Finance was less well received. The 15-year issue, convertible into shares of Apache Corp., an oil and gas producer, was priced at par with a coupon of 9 1/2 percent.

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Mexico Maintains Heavy Borrowing Pace

(Continued from Page 7)
over the prime rate is usually gravity. This is protected by what has become a standard clause in loan contracts that switches the base rate to an alternate measure — the rate paid on 90-day certificates of deposit adjusted for the cost of setting aside reserves — whenever that alternate, for a fixed period of time, is higher than the prime rate.

and ECU, European currency units. Italy remains a big taker of funds. Ferrovie dello Stato is seeking up to \$500 million for seven years, offering a half-point over Libor or a split 1/4 (for two years) 3/4 point over the prime rate.

Lead manager Daiwa Securities said that Japanese Finance Ministry guidelines limit Euroyen issues to one per quarter. Daiwa said there are at least two other borrowers in the queue and indicated that the issuing pace for Euroyen bonds in the rest of this year is likely to be increased.

As banks await enactment of legislation permitting Venezuela to raise long-term funds internationally, a stream of one-year transactions continues to flow to the market. Corp. Venezolana de Fomento is seeking \$400 million, offering a margin of 3/4 point over Libor...

Japan's Furukawa Electric Co. is raising \$50 million through a 15-year convertible managed by Nomura International. The bond carries an indicated coupon of 6-to-6 1/2 percent. Final terms will be set Thursday.

Still waiting to be priced is the 20 million Unit of Account issue for Gasunie of the Netherlands. The seven-year issue is expected to bear a coupon of 1 1/4 percent. Subscriptions are payable in DM, with 2,975,79 DM equal to one U.A.

LA REDOUTE À ROUBAIX
CORPORATION ORGANIZED UNDER FRENCH LAW (Société Anonyme)
EXTRAORDINARY GENERAL MEETING OF THE NOTEHOLDERS 14 1/2% 1980-1985
SECOND NOTICE

US \$ 348,000,000 medium term loan
Banque de Paris et des Pays-Bas
Banque Nationale de Paris
Barclays Bank S.A., Paris
Citicorp International Group
Crédit Lyonnais

The Federal Republic of Nigeria
US \$ 575,000,000
Facilities related to the Iron and Steel Complex at Ajaokuta
FF 1,245,000,000 export credit facility
Banque de Paris et des Pays-Bas
Banque Nationale de Paris
Citibank, N.A., Paris
Crédit Lyonnais

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# Criticism Builds Around Caterpillar

By Winston Williams  
New York Times Service

**PEORIA, Ill.** — It is the longest running, most profitable act ever to play in Peoria, and it is used to pushing things around. Caterpillar Tractor Co., or Cat, as it is known from Wall Street to dusty construction sites, is the world's largest maker of giant earth-moving equipment and, among U.S. exporters, second only to Boeing.

Self-confident, inbred, tight-lipped and conservative, Caterpillar has doggedly stuck to tried-and-true basics in the manufacture and marketing of its bright yellow construction equipment, diesel engines and lift trucks. It has done so with considerable success: Caterpillar commands not only one-half the world market for construction equipment but also deep respect on Wall Street as a well-run if unglamorous company.

But the giant earth mover is suddenly receiving its first real criticism from the investment community in years. In part, that new skepticism centers on Caterpillar's aggressive decision to plunge deeper into the diesel engine business. But it also reflects troubling developments in Caterpillar's markets. Current sluggish demand in the construction industry, as well as new and rejuvenated foreign competition, threaten to slow its historically strong growth.

Last month Caterpillar started Wall Street and some of its competitors when it agreed to pay \$505 million in cash for Solar Turbines International, a division of International Harvester, in effect helping to bail out Caterpillar's crippled rival, Solar. Harvester's most profitable operation, is a California-based maker of gas turbines and compressor sets that are selling like hot cakes in the oil and gas drilling industry.

**High Price Tag**  
The price tag was what concerned analysts. What Caterpillar paid was more than the total market value of all of Harvester's common shares at the time of the deal and twice the book value of Solar itself.

To add to Caterpillar's frustrations, while Lee L. Morgan, the company's urbane 61-year-old chairman, was negotiating the acquisition of Solar, some congressmen and administration officials were voicing "serious concern" over Caterpillar's plan to sell to the Soviet Union 100 pipelaying machines valued at \$40 million.

The threat to the deal comes at a time when the company's export business is feeling pressure from the strengthening dollar, which drives up the price of U.S. exports, and the Reagan administration's plan to sharply curtail funding for the Export-Import bank, which will restrict credit available to

## Soviet Trade Dates to 1920s

*New York Times Service*

**PEORIA, Ill.** — The latest controversy over Caterpillar's proposed sale of 100 pipelaying machines to the Soviet Union for \$40 million is but one in a series of on-again, off-again trade agreements that go back to shortly after the Russian Revolution.

Caterpillar and the Soviet Union decided last year to ask for permission to export 200 of the machines to help build a natural gas pipeline from Siberia to Western Europe. When the pipeline plans failed to go anywhere, the Soviet Union still sought 100 machines for use on projects inside the Soviet Union.

"The perception around the world is that Caterpillar has the better pieces of equipment," said John McGinty, an analyst at First Boston. "They have a fantastic distribution network, and when the machines break down, they get them fixed better than anyone else."

Caterpillar's first order from the Russians came in the 1920s for earth-moving equipment for the large state farms. During the '20s and '30s exports continued to trickle from Peoria until they were interrupted by World War II.

The Cold War cut off all trade between U.S. companies and the Soviet Union, but the thawing of relations and the advent of détente opened the Soviet market again to Caterpillar in the early 1970s, though the Soviet business has been very significant for Caterpillar, amounting to about \$50 million a year recently.

overseas buyers of Caterpillar equipment.

"It's quite common for a company to react as they're doing," said Alexander Blanton, an analyst at Merrill Lynch, Pierce, Fenner & Smith. "When you're generating more cash than you can use in your existing business, you either expand your product line or acquire something new." But Mr. Blanton did question, however, whether the purchase was the best use of Caterpillar's funds.

In addition, he warned of the pitfalls of entering a new area of business. "The risks always increase when companies go outside their areas of expertise," Mr. Blanton said. "They [Caterpillar] have expertise in diesel engines but not in gas turbines."

The generous premium that Caterpillar paid for Solar, which has a book value of \$240 million, has led to many theories in the investment community. One theory holds that the company showed its ignorance of the gas turbine business by making such a large offer and that such a move may be a harbinger of mistakes to come in an unfamiliar business.

Another is that Caterpillar, afraid of Harvester's presence in the construction business, wanted to keep Harvester alive as a vehicle to keep Harvester as a vehicle to keep Harvester as a vehicle, in strong command of the troubled farm equipment business, has recently become the major domestic competitor of Caterpillar in the construction business. Last year, Deere's construction volume totaled \$981 million.

But Mr. Morgan said the purchase was based on strict financial considerations. "It's worth that much to us," he said during a rare interview at corporate headquarters. "We're talking about the difference between the value of a

going concern and an accounting number called book value. It's like paying \$5 million for a Remo. It's what the market demands," he said.

For years, Caterpillar had been working on its own gas turbines and compressors, which are more suited to offshore drilling than diesel engines. But the company maintains that buying Solar's plants and expertise was a better way to get into the market.

It is all part of the company's new emphasis on engines and power generation, currently about 25 percent of Caterpillar's revenues, which are expected to reach \$9 billion this year.

"The industrial engine business is strong all over the world," Mr. Morgan said. "It's growing much more rapidly than our other businesses. We want to grow as rapidly as we have in the past — about 16 percent to 17 percent in revenues and profits — and we'll be counting on the engine business for much of that growth."

Some analysts warn that Caterpillar is headed down a perilous road, taking on such formidable adversaries as Cummins Engine and Detroit Diesel Allison, a subsidiary of General Motors, in the diesel business.

Not everyone believes, however, that buying Solar will turn out to be a mistake. Citing Caterpillar's efforts to build its own gas turbine-driven compressor set, Elie Lustgarten, an analyst at Pine Webber Mitchell Hutchins, said, "They know a lot more about these products than people give them credit for." Most securities analysts do expect, however, that the acquisition will dilute earnings for the next few years.

With profits increasing at the rate of 16.7 percent a year since 1971 and with nine dividend in-

Option & price	Close	Option & price	Close	Option & price	Close	
Amzn	35	140	17	100	115	115
Amzn	40	145	22	105	120	120
Amzn	45	150	35	110	125	125
Amzn	50	155	48	115	130	130
Amzn	55	160	61	120	135	135
Amzn	60	165	74	125	140	140
Amzn	65	170	87	130	145	145
Amzn	70	175	100	135	150	150
Amzn	75	180	113	140	155	155
Amzn	80	185	126	145	160	160
Amzn	85	190	139	150	165	165
Amzn	90	195	152	155	170	170
Amzn	95	200	165	160	175	175
Amzn	100	205	178	165	180	180
Amzn	105	210	191	170	185	185
Amzn	110	215	204	175	190	190
Amzn	115	220	217	180	195	195
Amzn	120	225	230	185	200	200
Amzn	125	230	243	190	205	205
Amzn	130	235	256	195	210	210
Amzn	135	240	269	200	215	215
Amzn	140	245	282	205	220	220
Amzn	145	250	295	210	225	225
Amzn	150	255	308	215	230	230
Amzn	155	260	321	220	235	235
Amzn	160	265	334	225	240	240
Amzn	165	270	347	230	245	245
Amzn	170	275	360	235	250	250
Amzn	175	280	373	240	255	255
Amzn	180	285	386	245	260	260
Amzn	185	290	399	250	265	265
Amzn	190	295	412	255	270	270
Amzn	195	300	425	260	275	275
Amzn	200	305	438	265	280	280
Amzn	205	310	451	270	285	285
Amzn	210	315	464	275	290	290
Amzn	215	320	477	280	295	295
Amzn	220	325	490	285	300	300
Amzn	225	330	503	290	305	305
Amzn	230	335	516	295	310	310
Amzn	235	340	529	300	315	315
Amzn	240	345	542	305	320	320
Amzn	245	350	555	310	325	325
Amzn	250	355	568	315	330	330
Amzn	255	360	581	320	335	335
Amzn	260	365	594	325	340	340
Amzn	265	370	607	330	345	345
Amzn	270	375	620	335	350	350
Amzn	275	380	633	340	355	355
Amzn	280	385	646	345	360	360
Amzn	285	390	659	350	365	365
Amzn	290	395	672	355	370	370
Amzn	295	400	685	360	375	375
Amzn	300	405	698	365	380	380
Amzn	305	410	711	370	385	385
Amzn	310	415	724	375	390	390
Amzn	315	420	737	380	395	395
Amzn	320	425	750	385	400	400
Amzn	325	430	763	390	405	405
Amzn	330	435	776	395	410	410
Amzn	335	440	789	400	415	415
Amzn	340	445	802	405	420	420
Amzn	345	450	815	410	425	425
Amzn	350	455	828	415	430	430
Amzn	355	460	841	420	435	435
Amzn	360	465	854	425	440	440
Amzn	365	470	867	430	445	445
Amzn	370	475	880	435	450	450
Amzn	375	480	893	440	455	455
Amzn	380	485	906	445	460	460
Amzn	385	490	919	450	465	465
Amzn	390	495	932	455	470	470
Amzn	395	500	945	460	475	475
Amzn	400	505	958	465	480	480
Amzn	405	510	971	470	485	485
Amzn	410	515	984	475	490	490
Amzn	415	520	997	480	495	495
Amzn	420	525	1010	485	500	500
Amzn	425	530	1023	490	505	505
Amzn	430	535	1036	495	510	510
Amzn	435	540	1049	500	515	515
Amzn	440	545	1062	505	520	520
Amzn	445	550	1075	510	525	525
Amzn	450	555	1088	515	530	530
Amzn	455	560	1101	520	535	535
Amzn	460	565	1114	525	540	540
Amzn	465	570	1127	530	545	545
Amzn	470	575	1140	535	550	550
Amzn	475	580	1153	540	555	555
Amzn	480	585	1166	545	560	560
Amzn	485	590	1179	550	565	565
Amzn	490	595	1192	555	570	570
Amzn	495	600	1205	560	575	575
Amzn	500	605	1218	565	580	580
Amzn	505	610	1231	570	585	585
Amzn	510	615	1244	575	590	590
Amzn	515	620	1257	580	595	595
Amzn	520	625	1270	585	600	600
Amzn	525	630	1283	590	605	605
Amzn	530	635	1296	595	610	610
Amzn	535	640	1309	600	615	615
Amzn	540	645	1322	605	620	620
Amzn	545	650	1335	610	625	625
Amzn	550	655	1348	615	630	630
Amzn	555	660	1361	620	635	635
Amzn	560	665	1374	625	640	640
Amzn	565	670	1387	630	645	645
Amzn	570	675	1400	635	650	650
Amzn	575	680	1413	640	655	655
Amzn	580	685	1426	645	660	660
Amzn	585	690	1439	650	665	665
Amzn	590	695	1452	655	670	670
Amzn	595	700	1465	660	675	675
Amzn	600	705	1478	665	680	680
Amzn	605	710	1491	670	685	685
Amzn	610	715	1504	675	690	690
Amzn	615	720	1517	680	695	695
Amzn	620	725	1530	685	700	700
Amzn	625	730	1543	690	705	705
Amzn	630	735	1556	695	710	710
Amzn	635	740	1569	700	715	715
Amzn	640	745	1582	705	720	720
Amzn	645	750	1595	710	725	725
Amzn	650	755	1608	715	730	730
Amzn	655	760	1621	720	735	735
Amzn	660	765	1634	725	740	740
Amzn	665	770	1647	730	745	745
Amzn	670	775	1660	735	750	750
Amzn	675	780	1673	740	755	755
Amzn	680	785	1686	745	760	760
Amzn	685	790	1699	750	765	765
Amzn	690	795	1712	755	770	770
Amzn	695	800	1725	760	775	775
Amzn	700	805	1738	765	780	780
Amzn	705	810	1751	770	785	785
Amzn	710	815	1764	775	790	790
Amzn	715	820	1777	780	795	795
Amzn	720	825	1790	785	800	800
Amzn	725	830	1803	790	805	805
Amzn	730	835	1816	795	810	810
Amzn	735	840	1829	800	815	815
Amzn	740	845	1842	805	820	820
Amzn	745	850	1855	810	825	825
Amzn	750	855	1868	815	830	830
Amzn	755	860	1881	820	835	835
Amzn	760	865	1894	825	840	840
Amzn	765	870	1907	830	845	845
Amzn	770	875	1920	835	850	850
Amzn	775	880	1933	840	855	855
Amzn	780	885	1946	845	860	860
Amzn	785	890	1959	850	865	865
Amzn	790	895	1972	855	870	870
Amzn	795	900	1985	860	875	875
Amzn	800	905	1998	865	880	880
Amzn	805	910	2011	870	885	885
Amzn	810	915	2024	875	890	890
Amzn	815	920	2037	880	895	895
Amzn	820	925	2050	885	900	900
Amzn	825	930	2063	890	905	905
Amzn	830	935	2076	895	910	910
Amzn	835	940	2089	900	915	915
Amzn	840	945	2102	905	920	920
Amzn	845	950	2115	910	925	925
Amzn	850	955	2128	915	930	930
Amzn	855	960	2141	920	935	935
Amzn	860	965	2154	925	940	940
Amzn	865	970	2167	930	945	945
Amzn	870	975	2180	935	950	950
Amzn	875	980	2193	940	955	955
Amzn	880	985	2206	945	960	960
Amzn	885	990	2219	950	965	965
Amzn						

Over-the-Counter

Table with columns: Symbol, High, Low, Last, Change. Lists various over-the-counter stocks.

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Table with columns: Symbol, High, Low, Last, Change. Lists various over-the-counter stocks.

Visa Takes Aim at American Express

(Continued from Page 7) by American Express. Utill recently, American Express issued traveler's checks and a travel and expense card with no set spending limits...

Shearson Merger Now American Express has acquired the brokerage firm Shearson Loeb Rhoades, which gives it the potential to tie its card holders into money market funds...

Each board is free to develop its own operating regulations and to set and collect fees from member banks. Visa International receives its budget from the regional boards...

James Robinson (chairman of American Express) is a man sitting on a three-legged stool, said Mr. Hock. "We're going after two of those legs..."

Mr. Hock's critics and admirers alike say that his success stems from a clear understanding of the possibilities that lie in electronic funds transfer. "With one piece of plastic you are doing more than offering credit," said Thomas Horan...

Treasury Bills

Table with columns: Maturity, Bid, Ask, Yield. Lists Treasury bill rates.

Consolidated Trading Of NYSE Listings

Table with columns: Symbol, High, Low, Last, Change. Lists NYSE trading data.

Consolidated Trading Of AMEX Listings

Table with columns: Symbol, High, Low, Last, Change. Lists AMEX trading data.

U.K. Study Forecasts Unemployment Rise

LONDON — Unemployment in Britain will go on rising until the year 2000 and there is no prospect of a substantial economic recovery until 1983...

Chinese Developing Large Field of Coal

PEKING — China is developing a new field of high-quality coking coal in Shanxi Province expected to produce 16 million tons of coal...

Chicago Exchange Options

Large table with columns: Symbol, Bid, Ask, Last, Change. Lists Chicago exchange options.

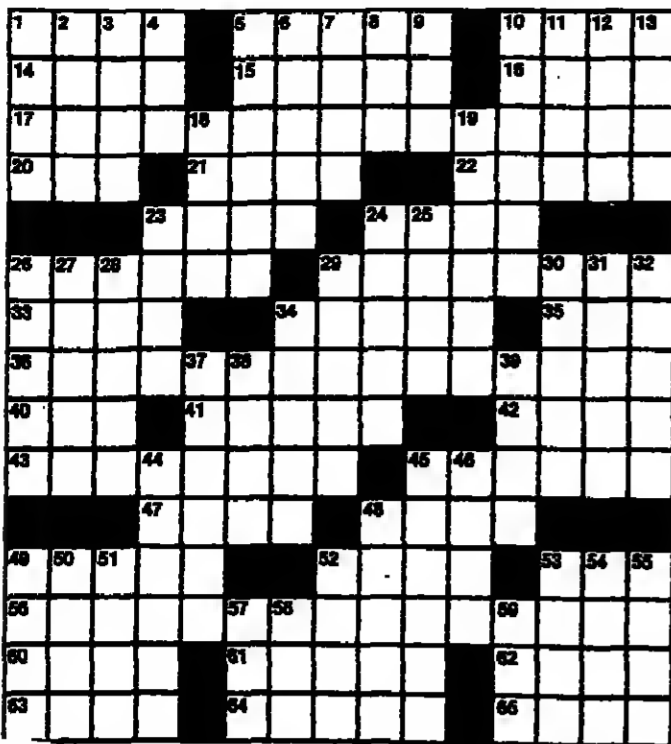
LA REDOUTE A ROUBAIX Corporation organized under French Law (Société Anonyme) Capital French Francs 46,289,450

Gold Options (prices in \$/oz.) Table with columns: Price, Bid, Ask, Volume. Includes Valuers White Weld S.A.

SENIOR EXECUTIVE POSITIONS Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications.

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- CROSS
1 Macadamia
5 '... la vista'
10 Urban oasis
14 Over-the-hill
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17 Beatles' vehicle
20 Fast plane
21 Slovenian resort
22 Freshet
23 Bard
24 Whimper
26 More nimble
29 Estate, in Sonora
33 Asian weight
34 Serves tea
35 ASSU.
36 Hardly ever
40 Lincoln Ctr. attraction
41 Stout's Wolfe et al.
42 Man or Wight
43 Drudges
45 Ships of the desert.
47 Assists
48 Word with fox or hen
49 Benny Goodman's forte
52 Silt
53 '... not what your country...
54 In the (headly)
60 Inette
61 Suppose
62 -- European
63 Roebuck
64 'Folmer
65 Fuel from fens
18 Hautboy
19 -- as an owl
22 Velvet feature
24 Heavy buzzers
25 Raw silk shade
26 Jazz dance
27 Switchboard section
28 Right-hand page
29 Vagrants
30 Lasso feature
31 Odd
32 One of the De Miles
34 Young salmon
37 Prismatic color
38 Require
39 Marcel Marceau, e.g.
44 More humid
45 Mobile maker
46 Con
48 Maid, in Orleans
49 Tater
50 Telegram
51 He wrote "Bus Stop"
52 Seethe, in Colmar
54 Misses
55 Cranny or roof
57 Dandy
58 Acct. keeper
59 Upset

WEATHER

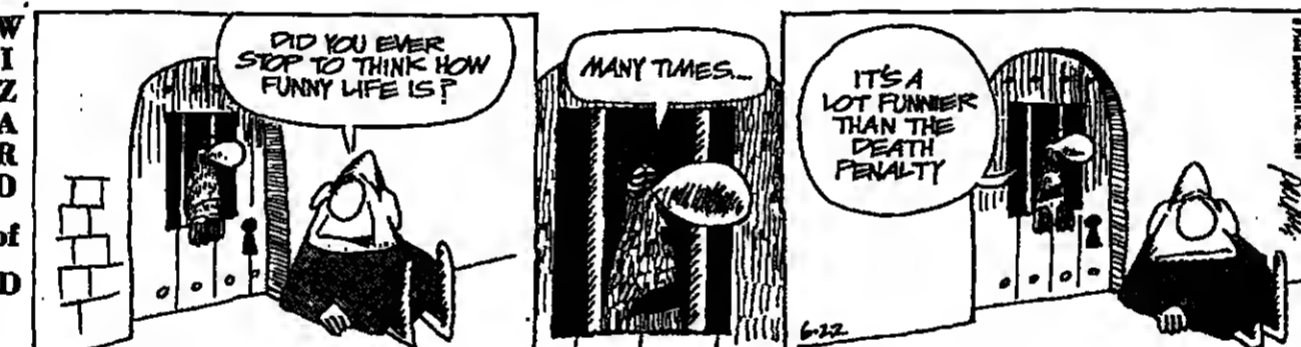
Table with columns for HIGH, LOW, and weather conditions for various cities including ALGARVE, ALGIERS, AMSTERDAM, ANKARA, ATHENS, AUCKLAND, BANGKOK, BEIRUT, BIRMINGHAM, BOSTON, BRUSSELS, BUCHAREST, BUDAPEST, BUENOS AIRES, CAIRO, CASABLANCA, CHICAGO, COPENHAGEN, COSTA MESA, DANABURG, DUBLIN, EDINBURGH, FLORENCE, FRANKFURT, GENEVA, HELSINKI, HONG KONG, HOUSTON, ISTANBUL, JERUSALEM, LAS PALMAS, LINZ, LISBON, LONDON, LOS ANGELES.

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BOOKS

THE STOLEN JEW

By Jay Neugeboren. 322 pages. \$14.95. Holt, Rinehart and Winston, 383 Madison Avenue. Reviewed by John Leonard

TOWARD the end of "The Stolen Jew," Nathan Malkin thinks about a novel he had written many years ago: "and where in his book — this book that others claimed to love — were the names of trees, and the passages of seasons and a feeling for what the villages and landscape truly looked like?"

Jay Neugeboren, the author of four other novels and a collection of short stories, is uncanny. I had just scribbled a note to myself: "The Stolen Jew" is an "in-doors" book, a novel written inside an apartment house, or on a bus, or in the cabin of a plane. The landscapes are historical (5,000 years of Jewish history), literary (Tolstoy and Isaac Babel) and interior (the family contracting on itself so that, like God, it creates life). Whether we are in Brooklyn, in Israel or in the Soviet Union, we are inside Nathan's head, which is furnished with ghosts for whom there is no season, nor is there any weather.

Almost any other writer so prodigal and ambitious would have devoted page after page to the neighborhood that had become a slum, the wildlife sanctuary in which a young woman is murdered by terrorists and the sullen city where tourists must communicate by Magic Slate for fear of electronic surveillance. When Nathan, however, sees the old women in white aprons and black boots cleaning the streets of Moscow, he thinks of his mother on her knees cleaning the kitchen floor in Brooklyn. A kind of claustrophobia prevails, and it is deliberate.

Everything important in "The Stolen Jew" happens inside — the licking of feet in the living room, the breaking of dishes in the kitchen, the conversation in a mental hospital, the Shabbos being celebrated by Russian Jews who hope to emigrate before the Moscow Olympics. It is as if the novel itself were contracting, down to a seed, and the seed is the word, and the word, like an extra eye, will burn its way to truth.

God the Storyteller

Nathan's father, a Russian Jewish emigrant who once had the makings of a scholar and a rabbi, is a failure in New York. Nathan's mother, who "degrades" his father, insists that the oldest child "must know everything" even if she is incapable of loving him; that is one of the things he knows. Nathan's younger brother, Nachman, will go mad, perhaps because he went "outside" and fell from a fire escape. Nathan, like his father, will tell stories: "God created the world because He loved stories." Unlike his father, Nathan will make money, in ladies' garments. The money will pay for Nachman's various hospitalizations.

Like the book Neugeboren has written, the book Nathan writes is called "The Stolen Jew." It is set in 19th century Russia. The son of a wealthy Jew is summoned for 25 years of service in the czar's army. The father arranges for another blue-eyed Jewish boy to be kidnapped and substituted for his

John Leonard is on the staff of New York Times.

'Druid' Priests Greet Solstice

The Associated Press

LONDON — Thousands of pagan worshippers surrounded Stonehenge, near-day to watch white-robed, neo-Druid priests welcome the summer solstice with a Midsummer's Day ritual at the center of the two rings of giant stones in Salisbury Plain, about 60 miles (kilometers) from London.

Police guarded the fence surrounding the neolithic site, which is Britain's most popular tourist attraction after the Tower of London. Mobs of spectators had waited through the night for the ceremony. A rock festival in three nearby fields was attended by about 20,000 people. The modern Druids claim Stonehenge is the ruin of a Druid temple.

CHESS

By Robert Byrne

THE problem peculiar to the strategy of playing to trap the enemy position is that to make the advantage in space count, time-opening pawn exchanges are necessary to create these difficulties. On the other hand, if one goes on crowding the opponent's formation without making a provision for open lines, there may come a point when he can block the struggle completely, transforming the superiority in space into a paper tiger.

The game that United States co-champion Walter Browne won from R. Filguth, a Brazilian master, in the Colmeia International Tournament in Brasilia shows typical cramped position problems.

It would have been more usual to respond to 5...P-K3 by 5...P-Q4; 6 QN-Q2, B-K2; 7 P-QN4, 0-0; 8 B-N2, QN-Q2, 9 Q-R4, Q-B1. In the Gheorghiu-Bukovic game, Lone Pine, 1980, this led to only a very slight advantage after 10 R-B1, P-B4; 11 B-K2, P-B2; 12 QP-BP, P-P; 13 P-N5, B-N2; 14 Q-B2, P-QR3; 15 P-P, R-P; 16 N-P. Filguth's 5...P-B4 challenged Browne to a committing advance in the center, but after 6 N-B3, N-B3; 7 Q-R4, Q-B1; 8 P-Q5, he discovered that 8...P-P; 9 P-P, BxP; 10 KxB, N-QR4; 11 P-K4 would not have allowed a way to escape the threat of 12 P-K5.

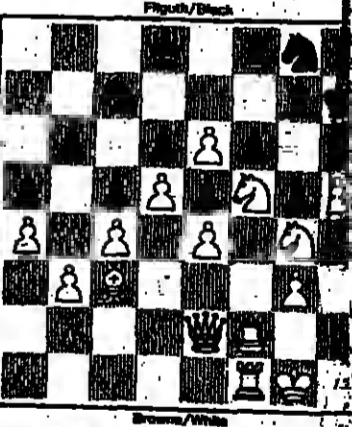
After 10 B-Q3 (10 P-K5; N-N5), it was evident that Filguth's plans for counterplay against the White center had not materialized. Nonetheless, it was not easy to proceed against his solid, though constricted, position.

There was an opportunity for much-needed simplification with 16...N-R7!; 17 NxN, BxNch; 18 K-R1, B-B5, but Filguth let it pass. Browne's not-so-innocent 20 B-Q3 threatened to gain a piece with 21 P-K5!, thus forcing the return 20...N-B3.

The effect of locking the center with 21...P-K4 was to give White an unmovable initiative on the kingside, but opening the center would have enhanced Browne's mobility.

Browne's maneuver 31 B-K2, 32 B-KN4 and 33 B-K6 brought his KB to its optimum square, but what was he to do after 34...N-QN1? His 35 P-B5, BxP; 36 PxB ran the risk that Filguth would find a way to permanently block the position.

However, the Brazilian went wrong almost at once with 37...N-R3; 38 R/1-KB1, N-B2; 39 P-R5, P-KN4; 40



Position after 42... Q-Q1

N2-N4, N-K1, it would have been difficult indeed for Browne to play the black position. Moreover, 37...Q-K1? was totally incoherent since after 41 N2-N4, it was impossible to lose a queen to 42 N-P3. On 42...Q-Q1, Browne entered the decisive breakthrough with 43 P-K71, NxP; 44 NxB, KxN; RxP. After 45...N-K1, he could have won the KR starting with RxB, but now his position was overwhelming and he was out for big things.

In the midst of playing 48...B1, Filguth noticed that he was about to be crushed by 49 NxKP, P-N3; BxPch, QxB; 51 Q-B7mate, so, to escape embarrassment, he threw in the towel.

Table with columns: White, Black, White, Black, showing chess moves and piece counts.

JUMBLE THAT SCRAMBLED WORD GAME

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

Jumble puzzle with words: FIBTE, ADECK, PLARIL, BOYDUL. Includes a cartoon of a man and a woman talking.

Answer: FIBTE, ADECK, PLARIL, BOYDUL. The answer to the cartoon is: 'How you might address a German barber — "HERR DRESSER"'

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PEOPLE: N.Y. Mayor Strikes Back At Fleet Street Criticism

New York Mayor Edward I. Koch, castigated in the British press for having quoted a conversation in New York with Prince Charles about Northern Ireland...

Two of the nine Marine security guards who were held hostage at the U.S. Embassy in Iran are now being held in London...

Admiral, a congressman and other VIPs turned out for the unveiling of a bronze bust of Adm. Hyman G. Rickover at the U.S. Naval Academy in Annapolis, Md.

Sir Edmund Hillary is going to extremes. The New Zealand explorer, who won world fame and a Shergarh globe because the first man to scale Mount Everest...

The Ultimate Two-Career Marriage

Couple Redefines 'Diplomacy'

By Lynn Rosellini
New York Times Service

WASHINGTON — He gets the Hindu cloth painting. She gets the Persian miniatures. He gets the two Lhasa Apso dogs. She gets the textiles from Iran.

They will divide the Persian rugs and the Mozart and Haydn records between them, but he gets most of the Burpee seed packets she ordered for the garden. And that leaves the touchy question of the Christmas decorations.

It has been like this ever since Jane and Carlton Coon decided to split up, in a manner of speaking. "Will the dogs be happier in Katmandu?" they ask each other.

Together but Apart
It is not the Coons' marriage that is breaking up, just their living arrangements. In a few weeks Jane A. Coon is expected to take up her new post as U.S. ambassador in Dacca, Bangladesh.

When she and Coon were married in 1968 — they had become friendly while both were assigned to Washington — her career came to a halt. According to State Department regulations...

So while he continued his climb up the diplomatic ladder, she set about rearing his six children, aged 4 to 16, whose mother had died of cancer in 1967.



Ambassadors Carlton S. Coon Jr. and Jane Coon.

ing and rewarding as my Foreign Service career," she said. "I gained a whole new dimension in terms of interpersonal relations."

An Eye-Opening Experience
The experience was an eye-opener in other respects. As a Foreign Service wife, traveling with her husband to posts in Nepal and Morocco, Mrs. Coon noticed that people treated her differently than when she was a political officer.

In 1976, after the State Department revised its policy on marriages, Mr. Coon resigned the Foreign Service and moved quickly through the ranks. The post she is leaving, deputy assistant secretary, outranks that of her husband — he was director for Algeria, Libya, Morocco and Tunisia — though his longevity has earned him a higher Foreign Service officer rating (FSO 1, \$50,000) than hers (FSO 2 st, the same salary).

Coon has served in recent months as liaison to Robert G. Neumann, newly appointed ambassador to Saudi Arabia, who helped direct the Reagan State Department transition team.

Language 'In' and 'Out' Words

By William Safire
NEW YORK — Only fuddy-duddies go to the gym, or to the drugstore, or to Europe; the upscale (formerly hotly-toi-toi) crowd goes to the spa, or to the pharmacy, or to the Coeductor.

Language has always revealed caste. A generation ago, Prof. Alan C. Ross pioneered "U" and "Non-U," and recently Phyllis Marin came up with a list of plus-and-minus words to suggest usage that separates the out-of-it from the on-top-of-it.

A decade ago, the passé people would say affluent; now the with-it types would say affluent; and the with-it types would say affluent; and the with-it types would say affluent...

Language has always revealed caste. A generation ago, Prof. Alan C. Ross pioneered "U" and "Non-U," and recently Phyllis Marin came up with a list of plus-and-minus words to suggest usage that separates the out-of-it from the on-top-of-it.

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Court in Zurich Sentences 'Artist'

ZURICH — A man who decorated Zurich walls with 1,500 pictures and designs in a two-year spray-painting spree was sentenced to nine months in jail for defacing property.

The appeals court Friday upheld an earlier conviction, increasing the previous six-month suspended sentence against 41-year-old Harald Naegeli because he was unrepentant.

It also confirmed an earlier order that Mr. Naegeli pay 101,534 francs (\$49,771) — to absorb part of the cost of cleaning up his artistic efforts.

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